

**Avista Corp.**

1411 East Mission PO Box 3727  
Spokane, Washington 99220-3727  
Telephone 509-489-0500  
Toll Free 800-727-9170



RECEIVED

2013 NOV 20 AM 10:40

November 18, 2013

**Via Regular Mail**

Jean Jewell  
Idaho Public Utilities Commission  
472 W. Washington Street  
Boise, ID 83702

**Re: Joint Petition of Avista Corporation and Kootenai Electric Cooperative, Inc. for  
Approval of Second Amendment to Power Purchase Agreement  
IPUC Docket No. AVU-E-12-01**

Dear Ms. Jewell:

Please find enclosed for filing in the above-referenced docket an original and seven copies of the Joint Petition of Avista Corporation ("Avista") and Kootenai Electric Cooperative, Inc. ("KEC") for approval of the second amendment to the power purchase agreement between Avista and KEC ("PPA") further extending the term of the PPA through December 31, 2014. The second amendment to the PPA is attached to the Joint Petition.

Please let me know if you have any questions regarding this filing.

Sincerely,

A handwritten signature in blue ink, appearing to read "M. G. Andrea", written over a horizontal line.

Michael G. Andrea  
Senior Counsel

Enclosures

cc: Service List

**For Avista Corporation**

Michael G. Andrea (ISB No. 8308)  
Senior Counsel  
Avista Corporation  
1411 East Mission Ave., MSC-23  
Spokane, WA 99202  
Phone: (509) 495-2564  
Facsimile: (509) 495-5690  
Email: michael.andrea@avistacorp.com

**For Kootenai Electric Cooperative, Inc.**

Greg Adams (ISB No. 7454)  
Richardson Adams PLLC  
515 N. 27<sup>th</sup> St.  
Boise, ID 83702  
Phone: (208) 938-2236  
Facsimile: (208) 938-7904  
Email: [greg@richardsonadams.com](mailto:greg@richardsonadams.com)

RECEIVED

2013 NOV 20 AM 10:41

IDAHO PUBLIC  
UTILITIES COMMISSION

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE JOINT PETITION )	
OF AVISTA CORPORATION AND )	<b>CASE NO. AVU-E-12-01</b>
KOOTENAI ELECTRIC COOPERATIVE, )	
INC. FOR APPROVAL OF POWER )	JOINT PETITION OF AVISTA
PURCHASE AND SALE AGREEMENT )	CORPORATION AND KOOTENAI
)	ELECTRIC COOPERATIVE, INC.
)	

---

Avista Corporation ("Avista") and Kootenai Electric Cooperative, Inc. ("KEC") (collectively, the "Parties") hereby jointly petition the Idaho Public Utilities Commission ("Commission") for an order approving the Second Amendment ("Second Amendment") to Power Purchase Agreement ("Agreement") between KEC and Avista with a requested effective date of January 1, 2014. The Second Amendment is attached hereto as Attachment A. The Agreement is attached hereto as Attachment B.



**1. Names and Addresses of Petitioners**

Avista Corporation  
1411 East Mission Avenue  
Spokane, WA 99202

Kootenai Electric Cooperative, Inc.  
2451 W. Dakota Avenue  
Hayden, Idaho 83835-0278

**2. Nature of Businesses**

Avista is a corporation created and organized under the laws of the State of Washington with its principal office in Spokane, Washington. Avista is an investor-owned utility engaged in, among other things, the business of generating, transmitting, and distributing electric power to wholesale and retail customers in Idaho and Washington. Avista also provides natural gas service to customers in Idaho, Washington, and Oregon. As such, Avista's rates, charges, services and practices are regulated, in part, by this Commission.

KEC is electric cooperative with its headquarters in Hayden, Idaho, that will own and operate a landfill gas electric power generating facility located at the Kootenai County Solid Waste Facility near Bellgrove, Idaho ("Facility"). The Facility is capable of generating up to approximately 3.2 megawatts of energy. The Facility is a Qualifying Facility pursuant to the Public Utility Regulatory Policies of Act of 1978 ("PURPA").

### 3. Names of Representatives

All communications, pleadings, and orders with respect to this proceeding should be directed to:

#### **For Avista Corporation:**

Steve Silkworth  
Manager, Wholesale Marketing and  
Contracts  
Avista Corporation  
1411 E. Mission Ave., MSC-7  
Spokane, WA 99202  
Phone: 509-495-8093  
Fax: (509) 495-4272  
E-mail: [steve.silkworth@avistacorp.com](mailto:steve.silkworth@avistacorp.com)

Michael G. Andrea  
Senior Counsel  
Avista Corporation  
1411 E. Mission Ave., MSC-23  
Spokane, WA 99202  
Phone: 509-495-2564  
Fax: (509) 777-5468  
E-mail: [michael.andrea@avistacorp.com](mailto:michael.andrea@avistacorp.com)

#### **For Kootenai Electric Cooperative, Inc.:**

Doug Elliott  
General Manager  
Kootenai Electric Cooperative, Inc.  
2451 W. Dakota Avenue  
Hayden, Id 83835-0278  
Telephone: (208) 292-3227  
Fax: (208) 209-0427  
Email: [delliott@kec.com](mailto:delliott@kec.com)

Greg Adams  
Richardson Adams PLLC  
515 N. 27<sup>th</sup> St.  
Boise, ID 83702  
Phone: (208) 938-2236  
Facsimile: (208) 938-7904  
Email: [greg@richardsonadams.com](mailto:greg@richardsonadams.com)

### 4. Description of Agreement

The Agreement is a power purchase agreement under which KEC generates and delivers the Net Output of its Facility to Avista's electric system on an as-available basis. The Agreement was original approved by the Commission in Order No. 32459 issued in Docket No. AVU-E-12-01 on February 15, 2012. The Term of the Agreement was originally due to expire on December 31, 2012. In an amendment dated November 19, 2012 ("First Amendment"), the parties agreed to extend the Term through December 31,

2013.<sup>1</sup> The Second Amendment further extends the Term of the Agreement through December 31, 2014 and Exhibit D has also been updated to include the Avoided Cost Rates for 2014.

For the Term of the Agreement, Avista will purchase the Net Output of the Facility that is delivered to the Point of Delivery. Avista will purchase such Net Output (up to a maximum of 10 aMW) pursuant to Schedule 62 of its Idaho tariff at the lesser of (i) 85 percent (85%) of the weighted average of the Powerdex Mid-Columbia Hourly Index for on and off peak hours (or its successor), or (ii) the applicable rate based upon the On-Peak or Off-Peak Avoided Cost Rates For Non-Fueled Projects Smaller Than Ten Average Megawatts - Non-Levelized in effect on the Effective Date ("Avoided Cost Rates"). Pursuant to the Amendment, the Term of the Agreement shall continue through December 31, 2014, unless the Agreement is terminated earlier pursuant to its terms. KEC may terminate the Agreement at any time during the Term by providing Avista written notice 30 days before such termination.

---

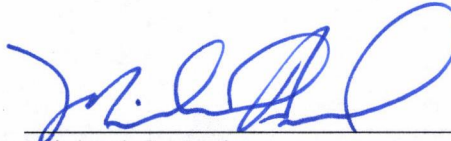
<sup>1</sup> Avista and KEC submitted a joint petition for a approval of the First Amendment, which was filed in the above-captioned docket on November 23, 2010. The Commission approved the First Amendment as part of its consent agenda on December 3, 2012. See Idaho Public Utilities Commission, Minutes of Decision Meeting, December 3, 2012.

**5. Joint Request for Approval**

Avista and KEC jointly request that the Commission issue an order (i) accepting the Agreement as amended by the Second Amendment, without change or condition, with an effective date of January 1, 2014, and (ii) declaring that all payments made by Avista for purchases of energy under the Agreement be allowed as prudently incurred expenses for ratemaking purposes.

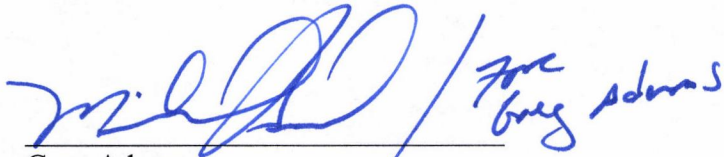
Respectfully submitted this 18<sup>th</sup> day of November 2013.

**AVISTA CORPORATION**



Michael G. Andrea  
Senior Counsel

**KOOTENAI ELECTRIC  
COOPERATIVE, INC.**



Greg Adams  
Attorney for Kootenai Electric Cooperative, Inc.





November 5, 2013

Kootenai Electric Cooperative  
Attn: Doug Elliot  
2451 W. Dakota Ave  
P.O. Box 276  
Hayden, ID 83835-0278

**Re: Amendment No. 2 to the Power Purchase Agreement between Kootenai Electric Cooperative and Avista Corporation**

Dear Mr. Elliot:

Kootenai Electric Cooperative, Inc. ("Seller") and Avista Corporation ("Avista"), referred to herein individually as a "Party" and collectively as the "Parties," entered into that certain Power Purchase Agreement dated January 5, 2012, ("Power Purchase Agreement") under which Avista purchases energy from a 3.2 MW nameplate capacity electric power generating facility ("Facility") at the Kootenai County Solid Waste Facility near Bellgrove, Idaho. The Power Purchase Agreement was originally approved by the Idaho Public Utilities Commission ("Commission") in Order No. 32459 issued in Docket No. AVU-E-12-01 on February 15, 2012.

The original term of the Power Purchase Agreement expired by its terms on December 31, 2012. On November 19, 2012, Seller and Avista agreed to amend the Power Purchase Agreement and extend the term through December 31, 2013. On November 23, 2012, Avista and Seller submitted a joint petition to the Commission (Case No. AVU-E-12-01) seeking approval to amend the existing Power Purchase Agreement to extend the term through December 31, 2013. Avista understands that Seller would now like to amend the Power Purchase Agreement to extend the term for an additional one-year term through December 31, 2014.

The Parties hereby agree to amend the Power Purchase Agreement as follows:

1. Section 4.1 of the Power Purchase Agreement is amended to change the expiration date of the Term to December 31, 2014.
2. Section 1.24 is amended to change the energy pricing mechanism such that Section 1.24 states in its entirety as follows:

**1.24 "Market Energy Rate"** means an energy price that shall be 85 percent (85%) of the weighted average of the Powerdex Mid Columbia Hourly Index for on and off peak hours or its successor, or as agreed by the Parties if no successor exists.

3. Exhibit D is amended and replaced in its entirety with the attached Amended Exhibit D to reflect the current "Avoided Cost Rates for Other Projects" issued by the Commission on June 1, 2013.

Except as expressly provided herein, all other terms and conditions of the Power Purchase Agreement remain in full force and effect, including Seller's right in Section 4.1 to terminate the Agreement with 30 days prior written notice to Avista.

The Parties agree that this Amendment No. 2 will be construed in accordance with Section 210 of PURPA and other applicable laws and regulations. This Amendment No. 2 shall become finally effective upon the Commission's approval of all terms and provisions herein without change or condition and declaration that all payments to be made to Seller under the Power Purchase Agreement, as amended, shall be allowed as prudently incurred expenses for ratemaking purposes. This Amendment No. 2 to the Power Purchase Agreement shall, subject to such Commission approval, become effective on January 1, 2014, or such other date set by Commission order. Upon the effective date of this Amendment, this Amendment shall be incorporated in the Power Purchase Agreement and all references to the Power Purchase Agreement shall be deemed to be references to the Power Purchase Agreement as amended by this Amendment No. 2.

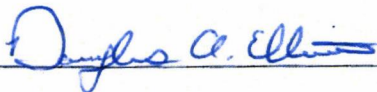
If the terms set forth herein for the Amendment No. 2 to the Power Purchase Agreement are acceptable, please execute below and return an original executed copy of this letter to me. Please call Steve Silkworth at 509 495-8093 if you have any questions.

Sincerely,



Jason Thackston  
Vice President, Energy Resources

ACCEPTED AND AGREED TO:



Name: Douglas A. Elliott

Date: November 7, 2013

Kootenai Electric Cooperative

**Exhibit D**

**Avoided Cost Rates**

Period	Heavy	Light
	Load	Load
	Hours	Hours
	\$/MWh	\$/MWh
Jan 2014 - Feb 2014	\$33.21	\$27.81
Mar 2014 - Jun 2014	\$25.83	\$21.63
Jul 2014 - Dec 2014	\$33.21	\$27.81

## **ATTACHMENT B**



/

POWER PURCHASE AGREEMENT  
BETWEEN  
KOOTENAI ELECTRIC COOPERATIVE, INC.  
AND  
AVISTA CORPORATION

1. DEFINITIONS	- 4 -
2. WARRANTIES	- 7 -
3. CONDITIONS PRIOR TO COMMERCIAL OPERATION	- 8 -
4. TERM OF AGREEMENT AND COMMERCIAL OPERATION DATE	- 9 -
5. NET OUTPUT AMOUNTS	- 9 -
6. SCHEDULING	-10-
7. PURCHASE PRICES AND PAYMENT	-10 -
8. INSURANCE	-11-
9. CURTAILMENT, INTERRUPTION OR REDUCTION OF DELIVERY	-12 -
10. OPERATION	-13-
II. INTERCONNECTION AND TRANSMISSION	-14 -
12. FORCE MAJEURE	-14 -
13. INDEMNITY	-15 -
14. ASSIGNMENT	- 16-
15. NO UNSPECIFIED THIRD PARTY BENEFICIARIES	- 16 -
16. DEFAULT AND TERMINATION	-16 -
17. DISPUTE RESOLUTION	- 17 -
18. RELEASE BY SELLER	- 17 -
19. GOVERNMENTAL AUTHORITY	- 18-
20. SEVERAL OBLIGATIONS	- 18-

21. IMPLEMENTATION	-18 -
22. NON-WAIVER	-18 -
23. AMENDMENT	-18 -
24. CHOICE OF LAWS AND VENUE	-18 -
25. HEADINGS	-19 -
26. SEVERABILITY	- 19-
27. COUNTERPARTS	- 19 -
28. TAXES	- 19-
29. NOTICES	- 19 -
30. SURVIVAL	. - 19 -
31. ENTIRE AGREEMENT	-20-
EXHIBIT A	
EXHIBITB	
EXHIBITC	
EXHIBITD	
EXHIBITE	
EXHIBITF	
EXHIBITG	

## POWER PURCHASE AGREEMENT

This Agreement is made by and between Avista Corporation, a Washington corporation ("Avista"), and Kootenai Electric Cooperative, Inc. an Idaho corporation ("Seller"). Avista and Seller are sometimes referred to individually as a "Party" and collectively as the "Parties."

### RECITALS

WHEREAS, Seller will design, construct, own, operate and maintain a 3.2 MW nameplate capacity ("Expected Capacity") electric power generating facility ("Facility") at the Kootenai County Solid Waste Facility near Bellgrove, Idaho, as more fully described in Exhibit C; and

WHEREAS, Seller will operate the Facility as a Qualifying Facility, as defined by the Public Utility Regulatory Policies Act of 1978 ("PURPA"); and

WHEREAS, Seller will deliver and sell, and Avista will purchase, Net Output generated by the Facility on an non-firm as available basis subject to the terms of this Agreement; and

WHEREAS, Seller and Avista are parties to the Interconnection and Operating Agreement dated November 15, 2011 (Avista Contract No. AV-TR11-0205-1) ("Interconnection and Operating Agreement"); and

WHEREAS, Seller and Avista are parties to the Facilities for Integration and Operation of Fighting Creek Facility Letter Agreement dated December 5, 2011 (incorporated as Exhibit G) which sets forth the scope of work and responsibilities of the Parties regarding the construction and installation of the Parties' respective facilities for the integration and operation of Seller's Facility.

**NOW, THEREFORE**, in consideration of the mutual agreements set forth herein, the Parties agree as follows.

#### 1. **DEFINITIONS**

Except as otherwise defined in this Agreement, whenever used in this Agreement and exhibits hereto, the following terms shall have the following meanings:

**1.1 "Agreement"** means this Power Purchase Agreement, including all exhibits, and any written amendments.

**1.2 "Alternate Point of Delivery"** shall have the meaning provided in Section 11.2 of this Agreement and is further clarified in Exhibit C of this Agreement.

**1.3 "Ancillary Services"** means those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation



of the electrical systems in accordance with Prudent Utility Practices and any existing or future WECC requirements.

1.4 "Avoided Cost Rates" shall have the meaning provided in Section 7.3 of this Agreement.

1.5 "aMW" means average megawatt(s). An average megawatt is calculated by dividing the total generation in MWh over a given period of time (e.g., a calendar month) by the number of hours in that period of time.

1.6 "Balancing Authority Area" means an electrical system or systems bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other Balancing Authority Areas and contributing to frequency regulation of the interconnection. A Balancing Authority Area must be certified by the applicable reliability council (such as WECC or other reliability council).

1.7 "Base Energy" means all monthly Net Output except Net Output that is Excess Energy.

1.8 "Business Day" means every day other than a Saturday or Sunday or a national holiday. National holidays shall be those holidays observed NERC.

1.9 "Commission" means the Idaho Public Utilities Commission, or its successor.

1.10 "Effective Date" shall have the meaning provided in Section 4.1 of this Agreement.

1.11 "Excess Energy" shall have the meaning provided in Section 7.4 of this Agreement.

1.12 "Expected Capacity" shall have the meaning provided in the recitals of this Agreement.

1.13 "Facility" means the electric energy generating facilities, including all equipment and structures necessary to generate and supply electric energy, more particularly described at Exhibit C.

1.14 "Facility Output" means the capability and electric energy generated by the Facility expressed in kilowatt-hours.

1.15 "Facility Service Power" means the electric energy generated and used by the Facility during its operation to operate equipment that is auxiliary to primary generation equipment including, but not limited to, pumping, generator excitation, cooling or other operations related to the production of electric energy by the Facility.

1.16 **"Force Majeure"** shall have the meaning provided in Section 12 of this Agreement.

1.17 **"FERC"** means the Federal Energy Regulatory Commission, or its successor.

1.18 **"Independent Engineering Certification"** means certifications detailed in Section 3.3 provided by a professional engineer registered in the state in which the Facility is located and who has no direct or indirect, legal, or equitable ownership interest in the Facility.

1.19 **"Initial Capacity Determination"** shall have the meaning provided in Section 3.4 of this Agreement.

1.20 **"Interconnection and Operating Agreement"** means, as applicable, the agreement between Seller and Avista or Seller and a Transmitting Entity that is providing interconnection service which governs how the Net Output is delivered to Avista's or the Transmitting Entity's electrical system at the point of interconnection during the Term of this Agreement and that is attached hereto as Exhibit F.

1.21 **"Losses"** means the loss of electrical energy expressed in kilowatt hours (kWh), including the Meter Location Adjustment Factor ("MLAF") as described in section 7.2, occurring as a result of the transformation and transmission of energy between the point of interconnection on Seller's system and the Point of Delivery.

1.22 **"MW"** means megawatt. One thousand kilowatts equals one megawatt.

1.23 **"MWh"** means megawatt-hour. One thousand kilowatt-hours equals one megawatt-hour.

1.24 **"Market Energy Rate"** means an energy price that shall be 85 percent (85%) of the weighted average of the daily on-peak and off-peak Dow Jones Mid-Columbia Non-Firm Index (Dow Jones Mid-C Non-Firm Index), or its successor, or as agreed by the Parties if no successor exists.

1.25 **"Nameplate Capacity Rating"** means the maximum generating capacity of the Facility, as determined by the manufacturer, and expressed in kilowatts (kW).

1.26 **"NERC"** means the North American Electric Reliability Corporation or its successor.

1.27 **"Net Output"** means the capability and electric energy generated by the Facility, less Facility Service Power and Losses, that is delivered to the Point of Delivery, or at the Alternate Point of Delivery if applicable under Section 11.2, expressed in kilowatt-hours. Net Output is further described in Section 7.2.

1.28 **"Off-Peak"** means all hours other than On-Peak hours.

1.29 **"On-Peak"** means the hours ending 0700 through 2200 Pacific Prevailing time, Monday through Sunday, including national holidays.

1.30 **"Point of Delivery"** means the location, as specified in Exhibit C of this Agreement, where the electric energy produced by the Facility is delivered to Avista's electrical system.

1.31 **"Prudent Utility Practices"** means the practices, methods, and acts commonly and ordinarily used in electrical engineering and operations by a significant portion of the electric power generation and transmission industry, in the exercise of reasonable judgment in the light of the facts known or that should have been known at the time a decision was made, that would have been expected to accomplish the desired result in a manner consistent with law, regulation, reliability, safety, environmental protection, economy, and expedition.

1.32 **"Qualifying Facility" or "QF"** means a generating facility which meets the requirements for "QF" status under PURPA and part 292 of FERC's Regulations, 18 C.F.R. Part 292, and which has obtained certification of its QF status.

1.33 **"Term"** shall have the meaning provided in Section 4.1 of this Agreement.

1.34 **"Transmitting Entity"** means any entity or entities including Seller that provide transmission and/or interconnection service to deliver electric energy from the Facility to Avista's electrical system at the Point of Delivery or at the Alternate Point of Delivery if applicable under Section 11.2. For purposes of this Agreement, Seller is the Transmitting Entity.

1.35 **"WECC"** means the Western Electricity Coordinating Council or its successor.

## 2. **WARRANTIES**

2.1 **No Warranty by Avista.** Avista makes no warranties, expressed or implied, regarding any aspect of Seller's design, specifications, equipment or facilities, including, but not limited to, safety, durability, reliability, strength, capacity, adequacy or economic feasibility, and any review, acceptance or failure to review Seller's design, specifications, equipment or Facility shall not be an endorsement or a confirmation by Avista. Avista assumes no responsibility or obligation with regard to any NERC and/or WECC reliability standard associated with the Facility or the delivery of electric energy from the Facility to the Point of Delivery or at the Alternate Point of Delivery if applicable under Section 11.2.

2.2 **Seller's Warranty.** Seller warrants and represents that: (a) Seller has investigated and determined that it is capable of performing and will perform the obligations hereunder and has not relied upon the advice, experience or expertise of Avista in connection with the transactions contemplated by this Agreement; (b) all professionals and experts including, but not limited to, engineers, attorneys or accountants, that Seller may have consulted or relied on in undertaking the transactions contemplated by this Agreement have been solely those of Seller; (c) Seller will comply with all applicable laws and regulations and shall obtain

and comply with applicable licenses, permits and approvals in the design, construction, operation and maintenance of the Facility; and (d) the Facility is, and during the Term of this Agreement will remain, a Qualifying Facility as that term is used in 18 C.F.R. Part 292. Seller's failure to maintain Qualifying Facility status will be a material breach of this Agreement. Avista reserves the right to review the Seller's Qualifying Facility status and associated support and compliance documents at anytime during the Term of this Agreement.

### **3. CONDITIONS PRIOR TO DELIVERY OF NET OUTPUT**

**3.1 Licenses, Permits and Approvals.** Prior to the delivery of any Net Output to Avista, Seller shall submit to Avista written proof that all licenses, permits or approvals necessary for Seller's operations have been obtained from applicable federal, state, tribal or local authorities, including, but not limited to, evidence of compliance with Subpart B, 18 C.F.R. § 292.207, tribal, state and local business licenses, environmental permits, easements, leases and all required approvals by the Commission. Avista and Seller shall cooperate in petitioning the Commission for any required approvals

**3.2 Opinion of Counsel.** Prior to the delivery of any Net Output to Avista, Seller shall submit to Avista an opinion letter signed by an attorney admitted to practice and in good standing in the state where the Facility is located providing an opinion that Seller's licenses, permits and approvals as set forth in Section 3.1 above are legally and validly issued, are held in the name of the Seller, and based on a reasonable independent review, counsel is of the opinion that Seller is in substantial compliance with said permits as of the date of such opinion letter. The opinion letter will be in a form acceptable to Avista and will acknowledge that the attorney rendering the opinion understands that Avista is relying on said opinion. Avista's acceptance of the form shall not be unreasonably withheld.

**3.3 Independent Engineering Certifications.** Prior to the delivery of any Net Output to Avista, Seller shall submit to Avista applicable Independent Engineering Certifications for (a) Construction Adequacy for a Qualifying Facility, and (b) Operations and Maintenance Policy for a Qualifying Facility as described in Commission Order No. 21690. Each Independent Engineering Certification shall be signed by a licensed professional engineer in good standing submitted in a form acceptable to Avista and will acknowledge that the licensed professional engineer rendering the opinion understands that Avista is relying on said opinion. Avista's acceptance of such forms shall not be unreasonably withheld.

**3.4 Initial Capacity Determination.** Seller shall design and operate the Facility in a manner such that under normal design conditions the Net Output does not exceed 10 aMW in any calendar month. Prior to delivery of any Net Output, Seller shall submit to Avista the maximum hourly generation capability of the Facility ("Initial Capacity Determination"). Such Initial Capacity Determination shall be determined by use of the Nameplate Capacity Rating and shall be documented and submitted to Avista by Seller. Such documentation shall include the information listed in Exhibit E. Upon receipt of Seller's Initial Capacity Determination, Avista will review such determination within a reasonable time and, if acceptable to Avista, Avista shall issue to Seller its written approval of the Initial Capacity Determination. If the Initial Capacity



Determination submitted by Seller is not acceptable to Avista, Avista will promptly notify Seller that Avista will not accept its Initial Capacity Determination. In such event, Avista shall engage, at Seller's sole expense, an independent qualified consultant to determine the Initial Capacity Determination. During the Term of this Agreement, Seller shall not cause the capacity of the Facility to be greater than the Initial Capacity Determination by any means, including by addition, upgrade, or replacement of any turbines.

**3.5 Ancillary Services.** In the event that the Facility is located outside of Avista's Balancing Authority Area, Seller shall be responsible at its sole expense for obtaining any and all necessary Ancillary Services. Seller shall demonstrate its compliance with this Section prior to the delivery of any Net Output to Avista.

**3.6 Insurance.** Prior to the delivery of any Net Output to Avista, Seller shall submit to Avista evidence of compliance with Section 8, Insurance.

**3.7 Network Resource Designation.** At Avista's request, Seller shall provide to Avista all data required by Avista to enable the Facility to be designated by Avista as a network resource.

**3.8 Written Acceptance.** Prior to the delivery of any Net Output to Avista, Seller shall request and obtain from Avista written confirmation that all conditions to acceptance of electric energy have been fulfilled. Avista shall use reasonable commercial efforts to promptly provide Seller written confirmation that all conditions to acceptance of electric energy have been fulfilled or provide notice that such conditions have not been fulfilled.

#### **4. TERM OF AGREEMENT AND COMMERCIAL OPERATION DATE**

**4.1** This Agreement shall be effective on the date last signed below or such other date set by Commission order (the "Effective Date") and shall continue until December 31, 2012 ("Term"), unless terminated by Seller with 30 days prior written notice to Avista or otherwise terminated as provided herein.

**4.2** The Parties agree that this Agreement will be construed in accordance with Section 210 of PURPA and other applicable laws and regulations. This Agreement shall become finally effective upon the Commission's approval of all terms and provisions herein without change or condition and declaration that all payments to be made to Seller hereunder shall be allowed as prudently incurred expenses for ratemaking purposes.

#### **5. <Reserved>**

## 6. SCHEDULING

6.1 Seller will make reasonable efforts to contact Avista Real-Time Scheduler to update Avista Real-Time Scheduler regarding any schedule estimates for generation, outage timeframes/duration, and return to service estimates. .

6.2 Email contact information with regard to scheduling and telephone contact information with regard to generation changes, interruptions or outages are specified in Exhibit A, Communication and Reporting.

## 7. PURCHASE PRICES AND PAYMENT

7.1 Except when either Party's performance is excused as provided herein, for the Term of this Agreement, Seller shall deliver all Net Output from the Facility to Avista at the Point of Delivery, or at the Alternate Point of Delivery if applicable under Section 11.2. For all Net Output delivered to Avista at the Point of Delivery, or at the Alternate Point of Delivery if applicable under Section 11.2, Avista shall pay the applicable rate specified in Sections 7.3 and 7.4 of this Agreement.

7.2 Net Output. Net Output shall be determined by measuring the Facility Output and reducing that amount by Facility Service Power and the Meter Location Adjustment Factor ("MLAF") which is the product of all applicable loss factors for the distribution system, transformation and transmission system between the metering point and the Point of Delivery. Net Output shall be calculated in accordance with the following formula:

$$\begin{aligned}\text{Net Output} &= (\text{Facility Output}) - (\text{Facility Service Power}) \times \text{MLAF} \\ \text{MLAF} &= 1 - [(\text{Distribution Line Loss Factor of } 0.0203) \\ &\quad + (\text{Dower Transformer No Load Loss of } 0.0030) \\ &\quad + (\text{Dower Transformer Load Loss of } 0.0010) \\ &\quad + (\text{Transmission Line Loss of } 0.0005)] \\ \text{MLAF} &= 1 - 0.0248 \\ \text{MLAF} &= 0.9752\end{aligned}$$

7.3 Base Energy. For all Base Energy delivered to Avista at the Point of Delivery, or at the Alternate Point of Delivery if applicable under Section 11.2, Avista shall pay Seller the lesser of (i) the current month's Market Energy Rate or (ii) the applicable rate based upon the On-Peak or Off-Peak Avoided Cost Rates For Non-Fueled Projects Smaller Than Ten Average Megawatts - Non-Levelized in effect on the Effective Date ("Avoided Cost Rates") as specified in Exhibit D.

7.4 Excess Energy. Excess Energy is Net Output, expressed in MWh, which Seller delivers to Avista at the Point of Delivery and/or at the Alternate Point of Delivery if applicable under Section 11.2 that exceeds 10 aMW in a calendar Month. Avista, at its sole discretion, may accept Excess Energy, but Avista will not pay for any Excess Energy. Where Avista does not elect to accept Excess Energy, and Seller delivers such energy after notification by Avista in accordance with Exhibit A, Seller shall pay Avista liquidated damages equal to \$100 per MWh of Excess Energy delivered to Avista. The Parties agree that the damages that Avista would

incur due to Seller's delivery of Excess Energy when Avista does not elect to accept Excess Energy would be difficult or impossible to predict with certainty and the liquidated damages contemplated by this provision are a fair and reasonable calculation of such damages and are not a penalty.

7.5 Payments to Seller. Avista shall prepare and submit to Seller monthly statements during the Term of the Agreement based upon Net Output delivered to Avista during the previous month. Payments owed by Avista shall be paid no later than the 15<sup>th</sup> day of the month following the end of the monthly billing period or five days after the receipt of a monthly statement, whichever is later. If the due date falls on a non-Business Day, then the payment shall be due on the next Business Day.

7.6 Payments to Avista and Right of Set Off. If Seller is obligated to make any payment or refund to Avista, Seller agrees that Avista may set off such payment or refund amount against any current or future payments due Seller under this Agreement. If Avista does not elect to set off, or if no current or future payment is owed by Avista, Avista shall submit an invoice to Seller for such payments. Seller shall pay Avista no later than the 15<sup>th</sup> day of the month following the end of the monthly billing period or five days after the receipt of a monthly statement, whichever is later. If the due date falls on a non-Business Day, then the payment shall be due on the next Business Day.

7.7 Interest. In addition to the remedies set forth in Section 16 of this Agreement, any amounts owing after the due date specified in Sections 7.5 and 7.6 will be subject to interest in the amount of one and one half percent (1.5%) per month, not to exceed the maximum rate allowed by the law, multiplied by the unpaid balance.

7.8 Wire Transfer. All payments shall be made by ACH or wire transfer in accordance with further agreement of the Parties.

## 8. INSURANCE

8.1 Insurance. Prior to operating the Facility, Seller, at its own cost, shall obtain and maintain the following insurance in force over the term of this Agreement and shall provide certificates of all insurance policies. All insurance policies required to fulfill the requirements of this Section 8 shall include language requiring that any notice of cancellation or notice of change in policy terms be sent to Avista by the insurance carrier(s) at least sixty days prior to any change or termination of the policies.

8.1.1 General Liability. Seller shall carry commercial general liability insurance for bodily injury and property damage with a minimum limit equal to \$2,000,000 for each occurrence. The deductible shall not exceed the Seller's financial ability to cover claims and shall not be greater than prevailing practices for similar operations in the State of Idaho.

8.1.2 Property. Seller shall carry all-risk property insurance for repair or replacement of the Facility. The limit of property insurance shall be sufficient to restore

operations in the event of reasonably foreseeable losses from natural, operational, mechanical and human-caused perils. The deductible shall not exceed the Seller's financial ability to fund the cost of losses and shall not be greater than prevailing practices for similar operations in the State of Idaho.

8.1.3 Qualifying Insurance. The insurance coverage required by this Section 8 shall be obtained from an insurance company reasonably acceptable to Avista and shall include an endorsement naming Avista as an additional insured and loss payee as applicable.

8.1.4 Notice of Loss or Lapse of Insurance by Seller. If the insurance coverage required by this Section 8 is lost or lapses for any reason, Seller will immediately notify Avista in writing of such loss or lapse. Such notice shall advise Avista of (i) the reason for such loss or lapse and (ii) the steps Seller is taking to replace or reinstate coverage. Notice provided by the insurer required by Section 8.1 shall not satisfy the notice requirement of this Section and Seller's failure to provide the notice required by this Section and/or to promptly replace or reinstate coverage will constitute a material breach of this Agreement.

8.2 Ongoing Security for Performance. For the Term of this Agreement, Seller will provide Avista with the following:

8.2.1 Insurance. Upon Avista's request, Seller shall provide Avista evidence of compliance with the provisions of Section 8.1. If Seller fails to comply, such failure will be a material breach and may only be cured by Seller promptly supplying evidence that the required insurance coverage has been replaced or reinstated.

8.3 Licenses and Permits. During the Term of this Agreement, Seller shall maintain compliance with all permits and licenses described in Section 3.1 of this Agreement. In addition, Seller will obtain, and supply Avista with copies of, any new or additional permits or licenses that may be required for Seller's operations. If at any time Seller fails to maintain compliance with the permits and licenses described in Section 3.1 or this Section, or to provide documentation required by this Section, such failure will be a material breach of this Agreement that may only be cured by Seller submitting to Avista evidence of compliance.

## 9. CURTAILMENT, INTERRUPTION OR REDUCTION OF DELIVERY

Avista may require Seller to curtail, interrupt or reduce delivery of Net Output if, in accordance with Section 10.2, Avista determines that curtailment, interruption or reduction is necessary because of a Force Majeure event or to protect persons or property from injury or damage, or because of emergencies, necessary system maintenance, system modification or special operating circumstances. Avista shall use commercially reasonable efforts to keep any period of curtailment, interruption, or reduction to a minimum. In order not to interfere unreasonably with Seller operations, Avista shall, to the extent practical, give Seller reasonable prior notice of any curtailment, interruption, or reduction, the reason for its occurrence and its probable duration. Seller understands and agrees that Avista may not be able to provide notice to

Seller prior to interruption, curtailment, or reduction of electrical energy deliveries to Avista in emergency circumstances, real-time operations of the electric system, and/or unplanned events.

## **10. OPERATION**

**10.1 Communications and Reporting.** Avista and the Seller shall maintain appropriate operating communications through the Communicating and Reporting Guidelines specified in Exhibit A.

### **10.2 Excuse From Acceptance of Delivery of Energy.**

**10.2.1** Avista may curtail, interrupt, reduce or suspend delivery, receipt or acceptance of Net Output if Avista, in its sole discretion, reasonably determines that such curtailment, interruption, reduction or suspension is necessary, consistent with Prudent Utility Practice, and that the failure to do so may:

(a) endanger any person or property, or Avista's electric system, or any electric system with which Avista's system is interconnected;

(b) cause, or contribute to, an imminent significant disruption of electric service to Avista's or another utility's customers;

(c) interfere with any construction, installation, inspection, testing, repair, replacement, improvement, alteration, modification, operation, use or maintenance of, or addition to, Avista's electric system or other property of Avista; or

(d) cause, contribute to, or necessitate operation of any of Avista's hydro electric projects in violation of any license or other regulatory requirements.

**10.2.2** Avista shall promptly notify Seller of the reasons for any such curtailment, interruption, reduction or suspension provided for in Section 10.2. Avista shall use reasonable efforts to limit the duration of any such curtailment, interruption, reduction or suspension.

**10.3 Seller's Risk.** Seller shall design, construct, own, operate and maintain the Facility at its own risk and expense in compliance with all applicable laws, ordinances, rules, regulations, orders and other requirements, now or hereafter in effect, of any governmental authority.

**10.4 Avista's Right to Inspect.** Seller shall permit Avista to inspect and audit the Facility, any related production, delivery and scheduling documentation or the operation, use or maintenance of the Facility at any reasonable time and upon reasonable notice.

**10.5 Seller Obligations in Accordance with Prudent Utility Practices.** Seller shall own, operate and maintain the Facility and any Seller-owned facilities in accordance with Prudent Utility Practices.

## **11.0 INTERCONNECTION AND TRANSMISSION**

**11.1** Seller shall make all necessary arrangements and pay all costs to interconnect its Facility with the electrical system of the Transmitting Entity. Attached as Exhibit F is the Interconnection and Operating Agreement.

**11.2** In the event that Seller or Avista is required to curtail, interrupt or reduce delivery of Net Output to the Point of Delivery, Seller may use reasonable commercial efforts to arrange, at Seller's sole expense, for delivery of Net Output at a secondary point of delivery ("Alternate Point of Delivery"). Avista will use reasonable commercial efforts to accept Net Output at such Alternate Point of Delivery; *provided, however*, that the Parties have enabled and established the use of such Alternate Point of Delivery pursuant to Section 11.3.

**11.3** Seller shall be responsible for any and all costs and expenses related to the transmission of Net Output to the Point of Delivery or any Alternate Point of Delivery under this Agreement, including but not limited to Ancillary Services and any costs or expenses incurred by Avista resulting from enabling and establishing Avista's ability to accept Net Output at the Point of Delivery and any Alternate Point of Delivery. Such costs and expenses shall include those for metering and other parallel operation facilities specified in Exhibit G.

## **12. FORCE MAJEURE**

**12.1** Neither Party shall be liable to the other Party, or be considered to be in breach of or default under this Agreement, for delay in performance due to a cause or condition beyond such Party's reasonable control which despite the exercise of reasonable due diligence, such Party is unable to prevent or overcome ("Force Majeure"), including but not limited to:

(a) fire, flood, earthquake, volcanic activity; court order and act of civil, military or governmental authority; strike, lockout and other labor dispute; riot, insurrection, sabotage or war; unanticipated electrical disturbance originating in or transmitted through such Party's electric system or any electric system with which such Party's system is interconnected; or

(b) an action taken by such Party which is, in the sole judgment of such Party, necessary or prudent to protect the operation, performance, integrity, reliability or stability of such Party's electric system or any electric system with which such Party's electric system is interconnected, whether such actions occur automatically or manually.

**12.2** In the event of a Force Majeure event, the time for performance shall be extended by a period of time reasonably necessary to overcome such delay. Avista shall not be required to pay for Net Output which, as a result of any Force Majeure event, is not delivered.



12.3 Nothing contained in this Section shall require any Party to settle any strike, lockout or other labor dispute.

12.4 In the event of a Force Majeure event, the delayed Party shall provide the other Party notice by telephone or email as soon as reasonably practicable and written notice within fourteen days after the occurrence of the Force Majeure event. Such notice shall include the particulars of the occurrence. The suspension of performance shall be of no greater scope and no longer duration than is required by the Force Majeure and the delayed Party shall use its best efforts to remedy its inability to perform.

12.5 Force Majeure shall include any unforeseen electrical disturbance that prevents any electric energy deliveries from occurring at the Point of Delivery and at any Alternate Point of Delivery.

### 13. INDEMNITY

13.1 Each Party shall defend, indemnify and hold harmless, the other Party, its directors, officers, employees, and agents (as the "Indemnitee") from and against all claims, demands, causes of action, judgments, liabilities and associated costs and expenses (including reasonable attorney's fees) to the extent arising from or attributable to the performance or non-performance of that Party's (as the "Indemnitor") obligations under this Agreement, including but not limited to, damage to tangible property and bodily injury or death suffered by any person (including employees of Seller or Avista or the public), provided that:

(a) No Indemnitee shall be indemnified for any loss, liability, injury, or damage resulting from its sole negligence, gross negligence, fraud or willful misconduct; and

(b) The Indemnitor shall be entitled, at its option, to assume and control the defense and any settlement of such suit.

Each indemnity set forth in this Section is a continuing obligation, separate and independent of the other obligations of each Party and shall survive the expiration or termination of this Agreement.

13.2 SELLER AND AVISTA SPECIFICALLY WARRANT THAT THE TERMS AND CONDITIONS OF THE FOREGOING INDEMNITY PROVISIONS ARE THE SUBJECT OF MUTUAL NEGOTIATION BY THE PARTIES, AND ARE SPECIFICALLY AND EXPRESSLY AGREED TO IN CONSIDERATION OF THE MUTUAL BENEFITS DERIVED UNDER THE TERMS OF THE AGREEMENT.

13.3 EXCEPT AS EXPRESSLY PROVIDED HEREIN, NEITHER PARTY SHALL BE LIABLE UNDER ANY PROVISION OF THIS AGREEMENT FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES, INCLUDING BUT NOT LIMITED TO LOSS OF PROFIT, SAVINGS OR REVENUE, LOSS OF THE USE OF EQUIPMENT, COST OF CAPITAL, OR COST OF TEMPORARY EQUIPMENT OR SERVICES, WHETHER BASED IN WHOLE OR IN

**PART IN CONTRACT, IN TORT, INCLUDING NEGLIGENCE, STRICT LIABILITY, OR ANY OTHER THEORY OF LIABILITY.**

**14. ASSIGNMENT**

**14.1** Seller shall not assign its rights or delegate its duties under this Agreement without the prior written consent of Avista, which consent shall not be unreasonably withheld. Subject to the foregoing restrictions on assignments, this Agreement shall be fully binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors, heirs and assigns.

**14.2** Seller shall have the right, subject to the obligations in Section 8, without Avista's consent, but with a thirty days prior written notice to Avista, to make collateral assignments of its rights under this Agreement to satisfy the requirements of any development, construction, or other reasonable long term financing. A collateral assignment shall not constitute a delegation of Seller's obligations under this Agreement, and this Agreement shall not bind the collateral assignee. Any collateral assignee succeeding to any portion of the ownership interest of Seller shall be considered Seller's successor in interest and shall thereafter be bound by this Agreement.

**15. NO UNSPECIFIED THIRD PARTY BENEFICIARIES**

There are no third party beneficiaries of this Agreement. Nothing contained in this Agreement is intended to confer any right or interest on anyone other than the Parties, and their respective successors, heirs and assigns permitted under Section 14.

**16. DEFAULT AND TERMINATION**

**16.1** In addition to any other breach or failure to perform under this Agreement that is not otherwise excused under this Agreement, each of the following events shall constitute a Default:

- (a) Seller abandons the Facility;
- (b) The Facility ceases to be a Qualifying Facility;
- (c) A Party becomes insolvent (e.g., is unable to meet its obligations as they become due or its liabilities exceed its assets);
- (d) Seller makes a general assignment of substantially all of its assets for the benefit of its creditors, files a petition for bankruptcy or reorganization or seeks other relief under any applicable insolvency laws;
- (e) Seller has filed against it a petition for bankruptcy, reorganization or other relief under any applicable insolvency laws and such petition is not dismissed or stayed within sixty days after it is filed;



(f) Seller is in default under any Agreement related to this Agreement;

(g) Termination, cancellation or expiration of any agreement required for Seller to deliver Net Output to Avista under this Agreement, including but not limited to the Interconnection and Operating Agreement;

**16.2 Notice and Opportunity to Cure.** In the event of a Default, the non-Defaulting Party shall give written notice to the Defaulting Party of a Default in accordance with Section 29. Except where the applicable section provides a cure period for the applicable default, if the Defaulting Party has not cured the breach within thirty days after receipt of such written notice, the non-Defaulting Party may, at its option, terminate this Agreement and/or pursue any remedy available to it in law or equity; *provided that*, if a Default occurs under Sections 16.1(a), 16.1(d) and/or 16.1 (e), Avista may immediately terminate this Agreement without opportunity to cure, and such termination shall become effective upon written notice of Default.

**16.3 Additional Rights and Remedies.** Any right or remedy afforded to either Party under this Agreement on account of a Default by the other Party is in addition to, and not in lieu of, all other rights or remedies available to such Party under any other provisions of this Agreement, by law or otherwise on account of the Default.

## **17. DISPUTE RESOLUTION**

Each Party shall strive to resolve any and all differences during the term of the Agreement through meetings and discussions. If a dispute cannot be resolved within a reasonable time, not to exceed thirty days, each Party shall escalate the unresolved dispute to a senior officer designated by each Party. If the senior officers are not able to resolve the dispute within ten Business Days of escalation then either Party may either agree to mediate or arbitrate the dispute or request a hearing before the Commission.

## **18. RELEASE BY SELLER**

Seller releases Avista from any and all claims, losses, harm, liabilities, damages, costs and expenses to the extent resulting from any:

**18.1** Electric disturbance or fluctuation that migrates, directly or indirectly, from Avista's electric system to the Facility;

**18.2** Interruption, suspension or curtailment of electric service to the Facility or any other premises owned, possessed, controlled or served by Seller, which interruption, suspension or curtailment is caused or contributed to by the Facility or the interconnection of the Facility;

**18.3** Disconnection, interruption, suspension or curtailment by Avista pursuant to terms of this Agreement or the Interconnection and Operating Agreement.

**19. GOVERNMENTAL AUTHORITY**

This Agreement is subject to the rules, regulations, orders and other requirements, of all governmental authorities having jurisdiction over the Facility, this Agreement, the Parties or either of them, including Section 210 of PURPA. All laws, ordinances, rules, regulations, orders and other requirements of governmental authorities that are required to be incorporated in agreements of this character are by this reference incorporated in this Agreement.

**20. SEVERAL OBLIGATIONS**

The duties, obligations and liabilities of the Parties under this Agreement are intended to be several not joint or collective. This Agreement shall not be interpreted or construed to create an association, joint venture or partnership between the Parties. Each Party shall be individually and severally liable for its own obligations under this Agreement. Further, neither Party shall have any rights, power or authority to enter into any agreement or undertaking for or on behalf of, to act as to be an agent or representative of, or to otherwise bind the other Party.

**21. IMPLEMENTATION**

Each Party shall promptly take such action (including, but not limited to, the execution, acknowledgement and delivery of documents) as may be reasonably requested by the other Party for the implementation or continuing performance of this Agreement.

**22. NON-WAIVER**

The failure of either Party to insist upon or enforce strict performance by the other Party of any provision of this Agreement or to exercise any right under this Agreement shall not be construed as a waiver or relinquishment of such Party's right to assert or rely upon any such provision or right in that or any subsequent instance; rather, the same shall be and remain in full force and effect.

**23. AMENDMENT**

No change, amendment or modification of any provision of this Agreement shall be valid unless set forth in a written amendment to this Agreement signed by both Parties and subsequently approved by the Commission.

**24. CHOICE OF LAWS AND VENUE**

This Agreement shall be construed and interpreted in accordance with the laws of the State of Idaho without reference to its choice of law provisions. Venue for any litigation arising out of or related to this Agreement shall lie in the District Court of the Fourth Judicial District of Idaho in and for the County of Ada.

**25. HEADINGS**

The Section headings in this Agreement are for convenience only and shall not be considered part of or used in the interpretation of this Agreement.

**26. SEVERABILITY**

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and this Agreement shall be construed in all respects as if the invalid or unenforceable provision were omitted.

**27. COUNTERPARTS**

This Agreement may be executed in two or more counterparts, each of which shall be deemed as an original, and together shall constitute one and the same document.

**28. TAXES**

Each Party shall pay before delinquency all taxes and other governmental charges for which such Party is responsible and which, if failed to be paid when due, could result in a lien upon the Facility.

**29. NOTICES**

Unless otherwise specified, all written notices or other communications required by or provided under this Agreement shall be mailed or delivered to the following addresses, and shall be considered delivered when deposited in the US Mail, postage prepaid, by certified or registered mail or delivered in person:

to Avista:	Director, Power Supply Avista Corporation P.O. Box 3727 Spokane, WA 99220
to Seller:	General Manager Kootenai Electric Cooperative, Inc. 2451 W. Dakota Avenue Hayden, Idaho 83835-0278

Either Party may change its designated representative to receive notice and/or address specified above by giving the other Party written notice of such change.

**30. SURVIVAL**

Rights and obligations which, by their nature, should survive termination or expiration of this Agreement, will remain in effect until satisfied, including without limitation, all outstanding

financial obligations, and the provisions of Section 13 (Indemnity) and Section 17 (Dispute Resolution).

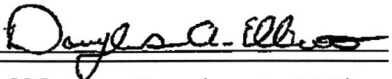
**31. ENTIRE AGREEMENT**

This Agreement, including the following exhibits which are attached and incorporated by reference herein, constitutes the entire agreement of the Parties and supersedes all prior and contemporaneous oral or written agreements between the Parties with respect to the subject matter hereof.

Exhibit A	Communications and Reporting
Exhibit B	Independent Engineering Certifications for Construction Adequacy for a Qualifying Facility and Operations and Maintenance Policy
Exhibit C	Project Description and Point of Delivery
Exhibit D	Avoided Cost Rates
Exhibit E	Initial Capacity Determination Documentation
Exhibit F	Interconnection and Operating Agreement
Exhibit G	Facilities for Integration and Operation of Fighting Creek Facility

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the date set forth below.

**KOOTENAI ELECTRIC  
COOPERATIVE, INC**

By:   
Printed Name: Douglas A. Elliott  
Title: General Manager  
Date: January 3, 2012

**AVISTA CORPORATION**


By:   
Printed Name: Robert J. Lafferty  
Title: Director, Power Supply  
Date: 1/5/2012

Exhibit A  
Communication and Reporting

(1) Email communications between Seller and Avista shall be submitted to:

Avista: kim.mattern@avistacorp.com; or  
robert.follini@avistacorp.com

Seller: dellott@kec.com  
Alternate: sdolan@kec.com

(2) All oral communications relating to electric energy scheduling, generation level changes, interruptions or outages between Seller and Avista will be communicated on a recorded line as follows:

(a) Pre-Schedule (5:30 am to 12:00 noon on Business Days):

Avista Pre-Scheduler: (509) 495-4911  
Alternate Phone: (509) 495-4073

Seller: (208) 292-3276 (Shawn Dolan)  
Alternate Phone: (208) 292-3227 (Doug Elliott)

(b) Real-Time Schedule (available 24 hours a day)

Avista Real-Time Scheduler: (509) 495-8534

Seller: (208) 292-3276 (Shawn Dolan)  
Alternate Phone: (208) 292-3227 (Doug Elliott)

(3) Either Party may change its contact information upon written notice to the other Party.



**ExhibitB**

**Independent Engineering Certification for  
Construction Adequacy for a Qualifying Facility**

1. I, \_\_\_\_\_ am a licensed professional engineer registered to practice and in good standing in the State of \_\_\_\_\_. I have substantial experience in the design, construction and operation of electric power plants of the same type as Fighting Creek Landfill Gas to Energy Facility sited at the Kootenai County Solid Waste Facility, near Bellgrove, Idaho (the "Facility").

2. I have reviewed and/or supervised the review of the construction in progress and of the completed Facility and it is my professional opinion that said Facility has been designed and built according to appropriate plans and specifications bearing the words "CERTIFIED FOR IDAHO P.U.C. SECURITY ACCEPTANCE" and with the stamp of the certifying licensed professional engineer of the design, and that the Facility was **built** to commercially acceptable standards for this type of facility.

3. I have no economic relationship to the designer or owner of said Facility and have made my analysis of the plans and specifications independently.

4. I hereby CERTIFY that the above statements are complete, true, and accurate to the best of my knowledge and I therefore set my hand and seal below.

Signed and Sealed

DATE: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

PRINTED NAME: \_\_\_\_\_

**Independent Engineering Certification for  
Operations and Maintenance Policy for a Qualifying Facility**

1. I, \_\_\_\_\_ am a licensed professional engineer registered to practice and in good standing in the State of \_\_\_\_\_. I have substantial experience in the design, construction and operation of electric power plants of the same type as Fighting Creek Landfill Gas to Energy Facility sited at the Kootenai County Solid Waste Facility, near Bellgrove, Idaho (the "Facility").

2. I have reviewed and/or supervised the review of the Policy for Operation and Maintenance ("O&M Policy") for the Facility and it is my professional opinion that, provided said Facility has been designed and built to appropriate standards, adherence to said O&M Policy will result in the Facility's producing at or near the design electrical output, efficiency, and capacity factor for twenty years, barring unforeseeable Force Majeure.

3. I have no economic relationship to the designer or owner of said Facility and have made my analysis of the plans and specifications independently.

4. I have supplied the owner of the Plant with at least one copy of said O&M Policy bearing my Stamp and the words "CERTIFIED FOR IDAHO P.D.C. SECURITY ACCEPTANCE" on each sheet thereof.

5. I hereby CERTIFY that the above statements are complete, true, and accurate to the best of my knowledge and I therefore set my hand and seal below.

Signed and Sealed

DATE: \_\_\_\_\_

SIGNATURE: \_\_\_\_\_

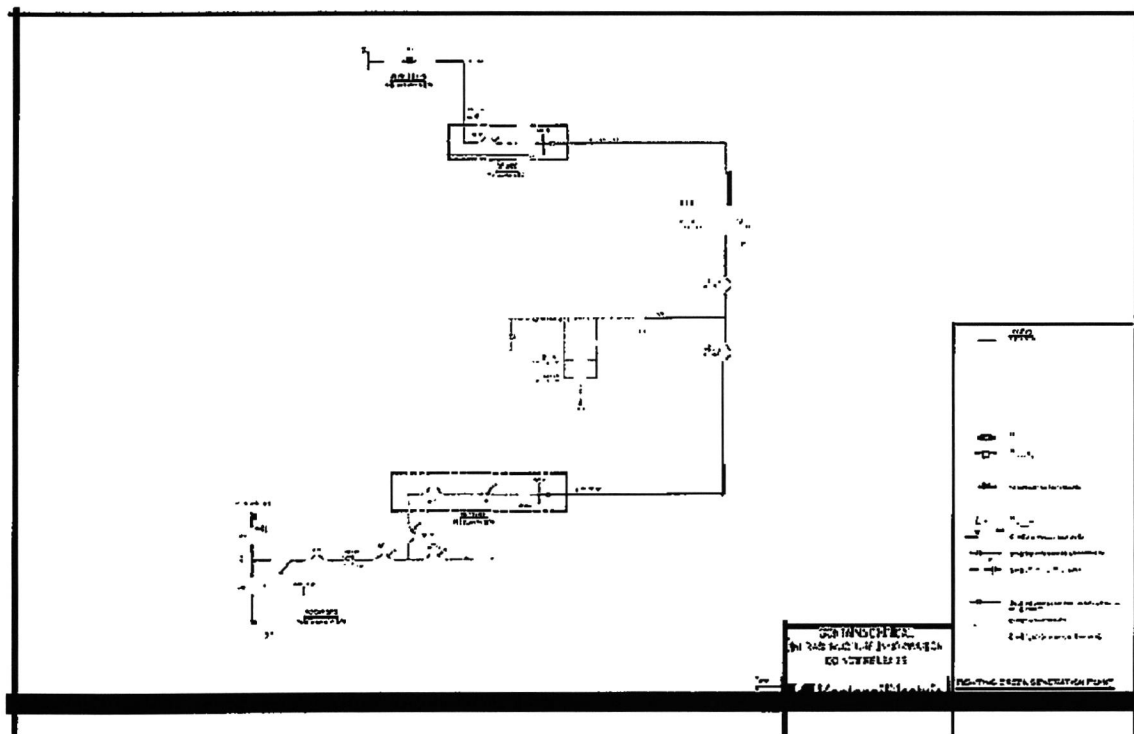
PRINTED NAME: \_\_\_\_\_

## Exhibit C

### Project Description and Point of Delivery

#### Description of the Facility:

Seller's Facility is described as the Fighting Creek Landfill Gas to Energy Facility and consists of: Two 1.6 MW generators each powered by a Caterpillar Model 3520, spark ignited, reciprocating internal combustion engines electrically interconnected to Seller's 24.9 kV distribution facilities terminated on the project busbar. The Project will use methane gas produced by decomposition of waste interned within landfill. The Project is located at Kootenai County Solid Waste Facility (W116.93 , N47.532), near Bellgrove, Idaho.



#### Location:

Seller's Facility is located at: Kootenai County Solid Waste Facility (W116.93 , N47.532), near Bellgrove, Idaho.

#### Point of Delivery:

Point of Delivery Location: The point where Avista's Dower- Post Falls IISkV Tap Transmission Line and KEC's Dower – Post Falls IISkV Tap Transmission Line are connected.

**Alternate Point of Delivery:**

Alternate Point of Delivery Location: The point where Avista's Dower – Post Falls IISkV Tap Transmission Line served via Avista's Post Falls – Ramsey IISkV Transmission Line and KEC's Dower – Post Falls IISkV Tap Transmission Line are connected.

**Point of Metering:**

Metering Location: In Seller's Facility, on the 24.9 kV side of the generator step-up transformer over which electric power and energy flows.

**Exhibit D**

**Avoided Cost Rates**

Period	Heavy	Light
	Load	Load
	Hours	Hours
	\$/MWh	\$/MWh
Jan 2012 - Feb 2012	\$59.55	\$54.15
Mar 2012 - Jun 2012	\$46.32	\$42.12
Jul 2012 - Dec 2012	\$59.55	\$54.15
Jan 2013 - Feb 2013	\$61.40	\$56.00
Mar 2013 - Jun 2013	\$47.76	\$43.56
Jul 2013 - Dec 2013	\$61.40	\$56.00

## **ExhibitE**

### **Initial Capacity Determination Documentation**

Within fifteen (15) days after a Commission order specified in Section 4.2 approving this Agreement, the Seller shall provide to Avista;

1. the manufacturer's serial number and specifications for each engine - generator installed at the Facility.
2. the Initial Capacity Determination of the Facility, expressed in kilowatts at the Point of Delivery, which is equal to the sum of the Facility's gross output values identified and provided in Exhibit C, less Facility Service Power and Losses.



INTERCONNECTION AND OPERATING AGREEMENT

between

AVISTA CORPORATION

and

KOOTENAI ELECTRIC COOPERATIVE, INC.

AMENDED AND RESTATED

This AMENDED AND RESTATED INTERCONNECTION AND OPERATING AGREEMENT ("Agreement") is executed by and between AVISTA CORPORATION ("Avista") and KOOTENAI ELECTRIC COOPERATIVE, INC. ("KEC"), which hereinafter may be referred to individually as "Party" or collectively as "Parties",

RECITALS

WHEREAS, Avista and KEC currently operate interconnected electric systems; and

WHEREAS, the terms and conditions governing the operation and maintenance of the interconnected electric systems of Avista and KEC have historically been pursuant to a power sales agreement between KEC and the Bonneville Power Administration ("Bonneville") and a General Transfer Agreement between Avista and Bonneville (Bonneville Contract No, DE-MS79-86BP91970) (collectively the "Historical Power and Transfer Agreements"); and

WHEREAS, KEC and Bonneville have executed new power sales and network transmission service agreements effective October 1, 2001 and October 1, 2011 (collectively the "Power and Transmission Agreements"); and

WHEREAS, upon the expiration of the General Transfer Agreement between Avista and Bonneville at 2400 hours on December 31, 2005, the Historical Power and Transfer Agreements no longer provide for terms and conditions governing the operation and maintenance of the interconnected electric systems of Avista and KEC; and

WHEREAS, in order to facilitate the continued *delivery* of electric power from Bonneville to KEC, Avista and Bonneville *have* executed a service agreement under Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8 ("Tariff") pursuant to which Avista provides network integration transmission service to Bonneville for such deliveries to KEC; and

WHEREAS, at some future point in time KEC may elect to execute a service agreement under Avista's Tariff, replacing the aforementioned agreement between Avista and Bonneville, to facilitate the *delivery* of electric power to KEC; and

WHEREAS, Avista and KEC desire to provide for the terms and conditions for the operation and maintenance of their interconnected electric systems; and

WHEREAS, Avista and KEC are amending and restating the Interconnection and Operating Agreement between the Parties (Avista Contract No. AV-TR05-0205), originally dated *November* 29, 2005, to incorporate, among other things, provisions regarding Generating Projects.

NOW, THEREFORE, the Parties agree as follows;

### **Section 1 - Definitions**

- 1.1 **Ancillary Services** - Those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of Avista's transmission system in accordance with Industry Standards and Good Utility Practice.
- 1.2 **Commission** - The Federal Energy Regulatory Commission, or its regulatory successor.

- 1.3 Direct Assignment Facilities - Facilities or portions of facilities that are constructed by Avista for the sole use or benefit of KEC.
- 1.4 Generating Project – Any electric generating facility, except an electric generating facility that is net metered pursuant to applicable state law, that is electrically connected to KEC and operated in parallel with Avista's electric system through the Points of Delivery.
- 1.5 Good Utility Practice - The practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a range of acceptable practices, methods or acts.
- 1.6 Industry Standards - The standards, criteria and requirements of NERC, WECC and the NWPP, as such standards, criteria and requirements may be revised from time to time.
- 1.7 Native Load Customers - The wholesale and retail power customers of either Party on whose behalf that Party, by statute, franchise, regulatory requirement, or contract, undertakes an obligation to construct and operate that Party's system to meet the reliable electric needs of such customers.
- 1.8 NERC - The North American Electric Reliability Council, or its successor.
- 1.9 NWPP - The Northwest Power Pool, or its successor.
- 1.10 Point(s) of Delivery - Those points of interconnection as specified in Exhibit A of this Agreement.
- 1.11 Service Commencement Date - The date whereupon Avista first commences providing network integration transmission service to KEC or to Bonneville pursuant to a service

agreement under the Tariff for the delivery of electric power to KEC, which is January 1, 2006.

- 1.12 Tariff - Avista's Open Access Transmission Tariff - FERC Electric Tariff Volume No. 8, as such may be amended or replaced.
- 1.13 Transmission Service - Network integration transmission service, including transfer service over substation facilities, distribution facilities, or Direct Assignment Facilities, provided pursuant to the Tariff or any other agreement between the Parties.
- 1.14 WECC - The Western Electricity Coordinating Council, or its successor.

## **Section 2 - Term of Agreement**

- 2.1 Effective Date - The effective date of this Agreement shall be the later of:
  - (a) the date this Agreement is executed by both Parties; or
  - (b) the date this Agreement is accepted for filing by the Commission, without any change or condition by the Commission which is unacceptable to either Avista or KEC, provided, however, that by executing this Agreement KEC does not consent to any jurisdiction by the Commission that the Commission does not already have over KEC.
- 2.2 Term - The term of this Agreement shall commence on the effective date and shall continue for ten (10) years from the Service Commencement Date, except as provided in Section 2.3 below.
- 2.3 Continuation of Term - The term of this Agreement shall continue beyond ten (10) years from the Service Commencement Date unless affirmatively terminated in writing upon two (2) years' written notice by either Party to the other Party.

### Section 3 - Exhibits

The following Exhibits are attached and incorporated by reference herein:

Exhibit A - Points of Delivery

Exhibit B - Meter Reading and Meter Test Procedures

Exhibit C - Substation Construction and Ownership Guidelines

Exhibit D - Generating Projects

Exhibit E - Generation Interconnection Guidelines and Standards

### . Section 4- Services Provided by Avista or Other Parties

- 4.1 Transmission Service – KEC, or Bonneville on behalf of KEC, requires Transmission Service to the Points of Delivery in order to serve KEC's Native Load Customers. Transmission Service is not prOvided for under this Agreement, but shall be provided for pursuant to the Tariff or other agreement between the Parties or between Avista and Bonneville.
- 4.2 Ancillary Services – KEC, or Bonneville on behalf of KEC, requires Ancillary Services in order to serve KEC's Native Load Customers via the Points of Delivery. Ancillary Services are not provided for under this Agreement. but shall be provided for pursuant to the Tariff or another agreement between the Parties or between Avista and Bonneville.

### Section 5 : Points of Delivery and Facilities

- 5.1 Additional Points of Delivery – During the term of this Agreement, KEC may, in accordance with Good Utility Practice and, when applicable, upon Avista's approval, add new Points of Delivery such as to facilitate Transmission Service under the Tariff. Subject to the foregoing, the Parties shall add any such new Point of Delivery concurrent with the commencement of Transmission Service under the Tariff to such new Point of Delivery.

## 5.2 Ownership of Facilities

- (a) Except as otherwise expressly provided, ownership of any and all equipment and all salvable facilities installed or previously installed by either Party on the property of the other Party shall be and remain with the owning Party.
- (b) Each Party shall identify all movable equipment and, to the extent agreed upon by the Parties, all other salvable facilities that are installed by such Party on the property of the other, by permanently affixing thereto suitable markers plainly identifying the owner of the equipment. Within a reasonable time subsequent to initial installation, and subsequent to any modification of such installation, representatives of the Parties shall jointly prepare an itemized list of said movable equipment and salvable facilities so installed.
- (c) Each Party shall be responsible for the cost of compliance with the requirements of all applicable Federal, State, and local environmental laws for its own facilities, even when such facilities are located on the property of the other Party.
- (d) Construction and ownership of facilities inside an Avista substation shall be Subject to the Substation Construction and Ownership Guidelines outlined in Exhibit C.

5.3 Addition of Facilities - Any incremental costs of additions or modifications to Avista's equipment and facilities in order to provide Transmission Service or Ancillary Services at the Points of Delivery or for Generating Projects shall be provided for pursuant to the Tariff or another agreement between the Parties.

## 5.4 Permits

- (a) If any equipment or facilities associated with any Point of Delivery and belonging to a Party are, or are planned to be, located on the property of the other Party, a permit to install, test, maintain, inspect, replace, repair, and operate during the term of this Agreement and to remove such equipment and facilities at the



expiration of the Term, together with the right of entry to said property at all reasonable times, is hereby granted by the other Party, provided, however, that permits to perform ground excavation are exempted from this Section 5.4(a).

- (b) Each Party shall have the right at all reasonable times to enter the property of the other Party for the purpose of reading any and all meters mentioned in this Agreement that are installed on such property, provided, however, that such right shall be consistent with and Subject to any applicable national security requirements.
- (c) If either Party is required or permitted to install, test, maintain, inspect, replace, repair, remove, or operate equipment on the property of the other, the owner of such property shall furnish the other Party with accurate drawings and wiring diagrams of associated equipment and facilities, or, if such drawings or diagrams are not available, shall furnish accurate information regarding such equipment or facilities. The owner of such property shall notify the other Party of any subsequent modification that may affect the duties of the other Party in regard to such equipment, and furnish the other Party with accurate revised drawings, if possible.

5.5 Inspection of Facilities – Either Party may inspect the other Party's electric installation for any reasonable purpose at any reasonable time upon reasonable notice to the other Party. Such inspection, or failure to inspect, shall not render such Party, its officers, agents, or employees, liable or responsible for any injury, loss, damage, or accident resulting from defects in such electric installation, or for violation of this Agreement. The inspecting Party shall observe written instructions and rules posted in facilities and such other necessary instructions or standards for inspection as the Parties may agree upon. Only Generating Projects and those electric installations used in complying with the terms of this Agreement shall be subject to inspection.

## **Section 6 - Metering**

- 6.1 **Meters and Meter Reading** - As of the Effective Date, meters at the Points of Delivery are provided for under the Power and Transmission Agreements. Unless provided by Bonneville pursuant to the Power and Transmission Agreements or any subsequent agreement between Bonneville and KEG, Avista and/or KEG shall own and maintain all meters, including meters for Generating Projects, used to determine any billing associated with this Agreement, a service agreement under the Tariff providing for the delivery of electric power to the Point(s) of Delivery, or any other agreement between the Parties. Meters at the Point(s) of Delivery and Generating Project(s) shall be read pursuant to the Meter Reading and Meter Test Procedures outlined in Exhibit B.
- 6.2 **Tests of Metering Installations** - Each Party shall, at its expense, test its measuring installations associated with this Agreement, a service agreement under the Tariff providing for the delivery of electric power to the Point(s) of Delivery, or any other agreement between the Parties, in accordance with the Meter Reading and Meter Test Procedures outlined in Exhibit B. The Parties may mutually agree to use a single set of meters. In the *event* that a single set of meters are utilized, tests of such meters shall be conducted jointly by the Parties in accordance with Exhibit B and shall be witnessed and agreed to by representatives of each Party.
- 6.3 **Metering and Communications Required for Ancillary Services** - To the extent not provided by Bonneville pursuant to its agreements with KEC, KEC shall be responsible for all costs associated with the installation, operation, and maintenance of any metering and communications equipment necessary for the provision of Ancillary Services either by Avista, KEG, or by a third party. All such metering installations shall be installed, operated, and maintained pursuant to Industry Standards and Good Utility Practice.

6.4 Measurements and InstallatiDn Df Avista Meters – NDtwithstanding any Dther provisiDn in this SectiDn 6. Avista may at any time install meters Dr metering equipment tD make any measurements fDr any PDint Df *Delivery* Dr Generating PRDject required fDr any cDmputatiDn Dr determinatiDn mentiDned in this Agreement. a service agreement under the Tariff prDviding fDr the delivery Df electric pDwer to the Point(s) Df Delivery, or any other agreement between the Parties, and if such meters or metering equipment are SD installed, such measurements shall be used thereafter in such cDmputatiDn Dr determination.

6.5 Real-Time Data Acquisition

- (a) PDint(s) of Delivery - For the purpose of enabling Avista to mDnitor the loads on its transmission system, Avista may require the acquisition of real-time load data (MW and Mvar) at Points of Delivery at Dr *above* 69kV. The Parties shall facilitate such data acquisitiDn pursuant to the SubstatiDn ConstructiDn and Ownership Guidelines outlined in Exhibit C.
- (b) Generating Project(s) - Real-time data acqUisition. which shall include at a minimum real power and energy (MW, MWh) and reactive power (Mvar, Mvarh), is required for any Generating Project Df aggregate output equal to or exceeding 3 MVA. Avista may specify real-time data acquisition needs Dn a case by case basis for Generating Projects that remain below 3 MVA. The Parties shall facilitate such data acquisitiDn pursuant to the GeneratiDn Interconnection Guidelines and Standards outlined in Exhibit E.

**Section 7 - Operation and Maintenance**

7.1 OperatiDn and Maintenance of Interconnected Facilities - Avista and KEC shall maintain the facilities enabling the PDint(s) of Delivery described in Exhibit A in gDdod working order and shall operate and maintain their respective interconnected facilities pursuant

to Industry Standards and Good Utility Practice. The Parties shall adhere to the Substation Construction and Ownership Guidelines outlined in Exhibit C.

7.2 Operation of KEC's Points of Delivery - AVista shall have primary operating responsibility in all Avista substations. This responsibility specifically includes the distribution feeder protective device at each Point of Delivery in Avista substations, and all switching operations in such substations. Operation of apparatus owned by KEC in Avista's substations shall be the responsibility of KEC, subject to switching orders received from Avista system operations personnel. KEC personnel shall adhere to the Avista requirement that anyone entering an Avista substation notify Avista system operations of their presence and their operational intentions. Operation of KEC equipment at each Point of Delivery not located in an Avista substation shall be coordinated with Avista system operations personnel to the extent practicable pursuant to Industry Standards and Good Utility Practice.

7.3 Operator's Qualifications - KEC's personnel who perform operations in Avista's substations or on line facilities at a Point of Delivery are required to meet the applicable operating requirements of KEC. Such personnel shall be familiar with the operation of all substation or line facilities and equipment that concerns his or her position and be fully aware of the hazards connected therewith, or have passed a journeyman's examination for the particular branch of the electrical trades with which he or she may be connected.

7.4 Power Quality - The interconnection of Avista and KEC facilities requires mutual responsibilities with respect to quality of service to both Parties' customers.

(a) Character of Service - Unless otherwise provided in this Agreement, Avista will make electric power available to KEC in the form of three-phase alternating current at a nominal frequency of sixty (60) hertz.

- (b) Abnormal Voltage Magnitudes – Both Parties shall operate and maintain their facilities such that the other Party's steady-state voltage levels at the Points of Delivery at or above 100 kV are manageable to within  $\pm 5\%$  of the steady-state operating voltage and at the Points of Delivery below 100kV are manageable to within  $\pm 10\%$  of the steady-state operating voltage specified for each Point of Delivery. Both Parties shall also design, construct, operate and maintain its electric facilities in accordance with Industry Standards and Good Utility Practice to reduce to acceptable levels any momentary voltage fluctuations that affect the other Party's facilities.
- (c) Frequency Control - Both Parties shall operate and maintain their systems to enable the Avista control area to maintain its frequency control obligations to applicable regional operating criteria.
- (d) Harmonic Control – Each Party shall design, construct, operate, maintain and use its electric facilities in accordance with the IEEE 519 standard and Good Utility Practice to reduce to acceptable levels the harmonic currents and voltages which pass into the other Party's facilities. Harmonic reductions shall be accomplished with equipment that is specifically designed and permanently operated and maintained as an integral part of the facilities of the Party that owns the system on which harmonics are generated.

7.5 Reactive Power - The Parties shall jointly plan and operate their interconnected electrical facilities pursuant to Industry Standards and Good Utility Practice in order to minimize the reactive power requirements placed upon the other Party. Pursuant to such joint planning and operation, Avista may require KEC to install necessary equipment or implement necessary operating practices on KEC's system to assure that deliveries at the Points of Delivery, pursuant to any transmission service agreement, are at a power factor no less than 0.95 leading or lagging.

7.6 Balancing Phase Demands – If required by Avista at any time during the term of this Agreement and pursuant to Industry Standards and Good Utility Practice, KEC shall make such changes as are necessary on its system to balance the phase currents at any Point of Delivery such that the current of any one phase not deviate by more than five (5) percent from the average of the currents on all three phases, unless otherwise agreed upon by the Parties.

7.7 Remedial Actions – Avista may require KEC to participate in or carry KEC's pro rata share of any remedial action scheme that may be required to support the reliability of Avista's system or the regional or sub-regional transmission systems. In such case, Avista and KEC shall jointly plan and coordinate the implementation of the required remedial action scheme pursuant to Industry Standards and Good Utility Practice.

7.8 Automatic Under-frequency Load Shedding Protection

- (a) Avista may require KEC to participate, up to its pro rata share, in the WECC Coordinated Off-Nominal Frequency Load Shedding and Restoration Plan or a successor program that is required to support the reliability of Avista's system or the regional or sub-regional transmission systems.
- (b) Such pro-rata share shall be determined by the proportion of the total load of KEC's Native Load Customers to the sum of the total loads of Avista's Native Load Customers, KEC's Native Load Customers and the native load customers of other parties served directly by Avista's Transmission System. Avista and KEC shall jointly plan and coordinate the implementation of such protection pursuant to Industry Standards and Good Utility Practice, provided, however, that KEC shall have the right to specify which of its loads are to apply to meet its pro rata obligation for automatic under-frequency load shedding. If such loads are served via a Point of Delivery where KEC owns the distribution feeder protection device, KEC shall provide, install, operate and maintain the necessary relay

equipment on KEG's distribution system. at KEC's cost, pursuant to Industry Standards.

- (c) Generating Projects shall remain online during abnormal frequency conditions or KEG shall trip an equivalent amount of load at the frequency point at which each Generating Project trips, consistent with Industry Standards.

#### 7.9 Generating Projects

- (a) All Generating Projects shall be listed in Exhibit D of this Agreement.
- (b) KEG shall plan and interconnect, and shall require that any third-party Generating Project agree by contract to plan and interconnect, such Generating Project consistent with Industry Standards and Good Utility Practice, and the Generation Interconnection Guidelines and Standards outlined in Exhibit E.
- (c) The Parties shall establish operating procedures for each Generation Project which shall include, but not be limited to, specifying system configuration and conditions under which the Generating Project may and may not operate.

#### 7.10 Maintenance Responsibility - The owner of any equipment shall retain maintenance responsibility for such equipment, except for any required earth excavation inside a substation as provided below.

- (a) Excavation Inside an Avista Substation - Any earth excavation inside an Avista substation shall be performed by Avista or Avista's authorized agents and shall be the responsibility of Avista. To the extent that excavation is performed on behalf of KEG. for KEG's sole or joint benefit, KEG shall reimburse Avista for an appropriate share of the costs associated with such excavation.
- (b) Excavation Inside a KEG Substation - Any earth excavation inside a KEG substation shall be performed by KEG or KEG's authorized agents and shall be the responsibility of KEG. To the extent that excavation is performed on behalf of

Avista, for Avista's sole or joint benefit, Avista shall reimburse KEC for an appropriate share of the costs associated with such excavation.

7.11 Maintenance Scheduling and Continuity of Service - The Parties shall coordinate their respective equipment maintenance schedules so as to minimize any effects upon either Party due to temporary interruptions associated with such maintenance. Avista may temporarily interrupt or curtail service at the Points of Delivery:

- (a) upon reasonable notice to KEC in order to install equipment in, make repairs, replacements, investigations, and inspections of or perform other maintenance work on Avista's system; provided, however, that Avista shall give KEC prior notice thereof, the reason therefore, and the probable duration thereof; and
- (b) without prior notice of such interruption or curtailment as may be necessary because of uncontrollable forces as provided in Section 8. Avista shall use reasonable efforts to avoid interference with the operations of KEC and to repair the cause of any such interruption or curtailment. The Parties shall use reasonable efforts to provide for effective communication protocols between their respective operating personnel for the purpose of communicating any apparent cause and expected duration of any such interruption or curtailment of an extended nature.

#### **Section 8 : Uncontrollable Forces and Liability**

8.1 Uncontrollable Forces - Neither Party to this Agreement shall be considered to be in default in performance of any obligation hereunder if failure of performance shall be due to uncontrollable forces. The term "uncontrollable forces" means any cause beyond the control of the Party affected, including, but not limited to, failure or loss of facilities, flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance, labor disturbance, sabotage, and restraint by court order or public authority, which by exercise of due



foresight, such Party could not reasonably have been expected to avoid, and which by exercise of due diligence it shall be unable to *overcome*. A Party shall not, however, be relieved of liability for failure of performance if such failure is due to causes arising out of its own negligence or to removable or remediable causes which it fails to *remove* or remedy with reasonable dispatch. Nothing contained herein, however, shall be construed to require a Party to prevent or settle a strike against its will. Damage to the electrical system of either KEG or Avista caused by or arising out of an electrical disturbance shall be governed under Section 8.2 and not under the provisions of this Section 8.1.

8.2 Electric Disturbances

- (a) For the purposes of this section, an electric disturbance is any sudden, unexpected, changed, or abnormal electric condition occurring in or on an electric system that causes automatic operation or damage.
- (b) Each Party shall design, construct, operate, maintain and use its electric system in conformance with industry Standards and Good Utility Practice:
  - (i) to minimize electric disturbances such as, but not limited to, the abnormal flow of power which may damage or interfere with the electric system of the other Party or any electric system connected with such other Party's electric system; and
  - (i1) to minimize the effect on its electric system and on its customers of electric disturbances originating on its own or another electric system.

8.3 Release and Limitation of Liability – If both KEG and Avista are parties to the Western Interconnected Systems Agreement Limiting Liability, that agreement shall continue in full force and effect as between the Parties to the extent that such provisions may apply under this Agreement. If either KEG or Avista is not a party to the Western Interconnected Systems Agreement Limiting Liability, then the following provisions shall

apply:

(a) Release by Avista - Avista hereby releases each of KEG and the directors, employees, agents and legal representatives of KEG from any and all claims, losses, harm, liabilities, damages, costs and expenses to the extent resulting from any:

- (i) operation of KEG's electric system in parallel with Avista's electric system;
- (ii) electric disturbance or fluctuation that migrates, directly or indirectly, from KEG's electric system to Avista's electric system;
- (iii) interruption, suspension or reduction of delivery of power from KEG's electric system to Avista's electric system, regardless of whether such interruption, suspension or reduction is caused or contributed to by Avista's electric system or the interconnection of Avista's electric system with KEG's electric system; or
- (iv) disconnection, interruption, suspension or curtailment, through manual operation, automatic operation or otherwise, by KEG in the event that KEG, in the exercise of its sole discretion, determines or has determined that an emergency condition exists or may exist that is contrary to Industry Standards and Good Utility Practice, and failure to do so:
  - (A) may cause imminent harm to any person or property, or
  - (B) may cause the disruption of reliable operation of KEG's or Avista's electric system (including, but not limited to, any transmission or distribution line thereof) or any electric system with which KEG is interconnected.

The foregoing release shall not be effective to the extent any claims, losses, harm, liabilities, damages, costs, and expenses are the result of the KEG's willful misconduct.

(b) Release by KEG - KEG hereby releases each of Avista and the directors, employees, agents and legal representatives of Avista from any and all claims, losses, harm, liabilities, damages, costs and expenses to the extent resulting from any:

- (i) operation of Avista's electric system in parallel with KEC's electric system;
- (ii) electric disturbance or fluctuation that migrates, directly or indirectly, from Avista's electric system to KEC's electric system;
- (iii) interruption, suspension or reduction of delivery of power from Avista's electric system to KEC's electric system, regardless of whether such interruption, suspension or reduction is caused or contributed to by KEC's electric system or the interconnection of KEC's electric system with Avista's electric system; or
- (iv) disconnection, interruption, suspension or curtailment, through manual operation, automatic operation or otherwise, by Avista in the event that Avista, in the exercise of its sole discretion, determines or has determined that an emergency condition exists or may exist that is contrary to Industry Standards and Good Utility Practice, and failure to do so:
  - (A) may cause imminent harm to any person or property, or
  - (B) may cause the disruption of reliable operation of Avista's or KEC's electric system (including, but not limited to, any transmission or distribution line thereof) or any electric system with which Avista is interconnected.

The foregoing release shall not be effective to the extent any claims, losses, harm, liabilities, damages, costs, and expenses are the result of Avista's willful misconduct.

8.4 Mutual Neootiation - KEC and Avista specifically warrant that the terms and conditions of the foregoing release provisions are the sUbject of mutual negotiation by the Parties, and are specifically and expressly agreed to in consideration of the mutual benefits derived under the terms of this Agreement.

8.5 Insurance

- (a) KEC and Avista shall obtain and maintain commercial liability insurance with a single limit of coverage of not less than \$5,000,000 for each occurrence. A certificate of such insurance shall be provided to either Party upon request by the other Party. Each Party shall promptly notify the other Party of any changes in its commercial liability insurance policies.
- (b) Upon the request by either Party, the minimum coverage limits for commercial liability insurance shall be reviewed by the Parties and adjusted according to Good Utility Practice.

**Section 9 - Miscellaneous**

9.1 Notices - Any notice to be served, given or made in connection with this Agreement, shall be in writing and shall be deemed properly served, given or made if delivered in person or sent by United States mail, properly addressed and stamped with the required postage, as follows:

If to Avista: Attention: Manager, Transmission Services  
Avista Corporation  
1411 East Mission Avenue  
Spokane, WA 99202-2600

- or -

P. O. Box 3727  
Spokane, WA 99220-3727

If to KEC: Attention: General Manager  
Kootenai Electric Cooperative, Inc.  
2451 West Dakota Avenue  
Hayden, ID 83835

- or -  
P. O. Box 278  
Hayden, ID 83835-0278

Either Party may change its address specified in this section by giving the other Party notice of such change in accordance with this section.

- 9.2 Notices of an Operating Nature - Any notice associated with day-to-day electric utility operations, such as for outage coordination or the need to enter a jointly-owned substation, may be provided by telephone, electronic mail or facsimile between appropriate operations personnel representing both Parties.
- 9.3 Amendment - No change, modification or amendment of this Agreement shall be valid unless set forth in a written instrument signed by both Parties.
- 9.4 Assignment - Neither Party shall assign this Agreement without the prior written consent of the other Party. Subject to the foregoing restriction on assignment, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their successive successors and assigns; provided, however, that each Party hereby consents to assignment of this Agreement to a successor where a Party sells or transfers all or substantially all of its electric utility operating plant to a third party.
- 9.5 No Third-Party Beneficiary - There are no third-party beneficiaries of this Agreement. This Agreement shall not confer any right or remedy upon any person or entity other than the Parties and their respective successors and assigns permitted under Section 9.4. No action may be commenced or prosecuted against any Party by any third party claiming to be a third-party beneficiary of this Agreement or the transactions contemplated hereby. This Agreement shall not release or discharge any obligation or liability of any third party to any party or give any third party any right of subrogation or action over or against any Party.

9.6 Implementation – Avista shall timely file this Agreement with the Commission. Each Party shall take such additional action as may be reasonably required for the implementation and performance of this Agreement in accordance with its terms.

9.7 Arbitration – Whenever Avista and KEC are both members of a Regional Transmission Association, Regional Transmission Organization, or Independent Transmission Provider, the determination of any disputed matter between the Parties arising out of or relating to this Agreement, except an obligation arising out of Section 8.3, shall be resolved in a manner provided in the dispute resolution procedures contained in the governing agreement for that organization. The determination of any other disputed matter between the Parties arising out of or relating to this Agreement, except an obligation arising out of Section 8.3, shall be subject to binding arbitration in accordance with subsections 9.7(a), 9.7(b) and 9.7(c) below.

(a) Initiation and Selection of Arbitrators - The Party calling for arbitration shall serve notice in writing upon the other Party, setting forth in detail the question or questions to be arbitrated, the relief sought, and the arbitrator appointed by such Party. The other Party shall, within twenty-five (25) business days after the receipt of such notice, appoint the second arbitrator by notice in writing to the Party calling for arbitration, and the two so appointed shall choose and appoint a third (if the Parties have not agreed upon and appointed a third). If such other Party fails to appoint the second arbitrator within said twenty-five (25) business days, or if a third arbitrator has not been appointed by agreement between the Parties within twenty-five (25) business days after receipt of notice of appointment of the second arbitrator (or, in the absence of such agreement, by the two arbitrators who have been appointed), either Party, upon five (5) business days' written notice delivered to the other Party, may apply to the Federal District Court for the District of Idaho for appointment of the second or

third arbitrator, as the case may be, Neither Party may discuss any matter to be arbitrated with any arbitrator after such arbitrator is appointed but prior to the arbitrators' determination, without providing notice to the other Party and reasonable opportunity to participate, The Parties intend that every arbitrator be an unbiased person with experience in the subject matter to be arbitrated.

(b) Procedure – The rules of procedure for the conduct of the arbitration shall be determined by a majority of the arbitrators. Such rules of procedure shall direct the expeditious evaluation of the merits of the matter and rendering of decision consistent with the complexity of the matter being arbitrated. In any such arbitration, each Party thereto shall have:

- (i) full access to the records of the other Party that pertain to the subject matter or the controversy;
- (ii) the power to call for testimony of any director, officer, employee, agent, or representative of the other Party having knowledge relevant to the controversy, and
- (iii) all other rights of discovery afforded to Parties in civil actions under the then applicable Federal Rules of Civil Procedure (or rules or laws applicable to the Federal District Court for the District of Idaho).

Disputes regarding the extent of discovery shall be resolved by the arbitrators. Unless otherwise agreed upon by the Parties, the Parties hereby instruct the arbitrators that they should render a determination of the matters submitted and the relief awarded within thirty (30) calendar days of the completion of the arbitration proceeding. In determining matters submitted for arbitration, no arbitrator shall be required to adhere to or advance the position of any particular Party. The determination of the matters submitted for arbitration shall be made by a majority of the arbitrators, and shall be binding as between the Parties. The

determination shall be in writing and shall affirm or deny each contention of the Parties and shall set forth the reasons therefore. The determination of the arbitrators shall be final and binding and shall be enforceable by a court of competent jurisdiction at the request of either Party.

- (c) Costs - Each Party shall pay for the services and expenses of the arbitrator appointed by or for it, and for all of its own costs including its own attorney fees, and compensation for its witnesses and consultants. The costs for the services and expenses of the third arbitrator and all administrative costs of the arbitration shall be paid equally by the Parties.

#### **Section 10 - Default**

In the event that either KEC or Avista commits a material breach of or default under this Agreement (the "Defaulting Party"), the following shall apply:

- (a) The other Party (the "Non-Defaulting Party") may give written notice to the Defaulting Party of the material breach or default.
- (b) If after thirty (30) days following receipt of such notice, the Defaulting Party has not taken the steps necessary to cure such breach or default, the Non-Defaulting Party may, at its option, terminate this Agreement; provided, however, that if the Defaulting Party within such 30-day period commences and thereafter proceeds with all due diligence to cure such default, such 30-day period shall be extended up to six (6) months after written notice to the Defaulting Party, as may be necessary to cure the material breach or default with all due diligence. Whether or not the Non-Defaulting Party elects to terminate this Agreement, it may, in addition to other remedies provided for herein, pursue such remedies as are available at law or in equity.
- (c) The Non-Defaulting Party may, at its option, cure (or cause to be cured) any material breach or default hereunder within the appropriate time period, without waiver of any



remedy at law or in equity including the right of reimbursement. The right of the Non-Defaulting Party to cure any breach or default by the Defaulting Party shall not be construed or interpreted as obligating such Non-Defaulting Party to make any such cure.

- (d) A Defaulting Party shall be liable to the Party claiming default for all costs, including costs of collection and reasonable attorney fees incurred by such Party claiming default. The proceeds paid by any Defaulting Party to remedy any such default shall be distributed to the Party claiming default equal to the additional cost actually paid by the Party claiming default as a result of the default.

#### Section 11 - Waiver

A waiver at anytime by a Party of its rights with respect to a default by another Party under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not be deemed a waiver with respect to any subsequent default or matter. No delay, short of the statutory period of limitations, in asserting or enforcing any right hereunder shall be deemed a waiver of such right.

#### Section 12 - Relationship of Parties

- 12.1 Nothing contained herein shall be construed to create an association, joint venture, trust, or partnership, or impose a trust or partnership covenant, obligation, or liability on or with regard to anyone or more of the Parties. Each Party shall be individually responsible for its own covenants, obligations, and liabilities under this Agreement.
- 12.2 All rights of the Parties are several, not joint. No Party shall be under the control or shall be deemed to control another Party. Except as expressly provided in this Agreement, no Party shall have a right or power to bind another Party without its express written consent.

#### Section 13 - No Dedication of Facilities

Any undertaking by one Party to another Party under any provision of this Agreement shall not constitute the dedication of the electric system or any portion thereof of the undertaking Party to the public or to the other Party, and it is understood and agreed that any such undertaking under any provision of this Agreement by a Party shall cease upon the termination of such Party's obligations under this Agreement.

#### Section 14 - Governing Law

This Agreement shall be interpreted, construed and enforced in accordance with the laws of the State of Idaho or the law of the United States of America, whichever is applicable, as if executed and to be performed wholly within the State of Idaho,

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed in their respective names by their duly authorized representatives as of the date first noted above,

AVISTA CORPORATION

By: Jeff Schlect

Jeff Schlect

Manager, Transmission Services

Signed this 14th day of October, 2011,

KOOTENAI ELECTRIC COOPERATIVE, INC,

By: Douglas A. Elliott

Douglas A. Elliott

General Manager

Signed this 15 day of November, 2011.

EXHIBIT A  
POINTS OF DELIVERY

1) Athol Point of Delivery

Location: The point near Spirit Lake, Idaho, where Avista's Pine Street-Rathdrum 115 kV Transmission Line and KEC's Athol 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In KEC's Athol Substation, in the distribution circuit(s) over which electric power and energy flows

2) Coeur d'Alene 15<sup>th</sup> Street Point of Delivery

Location: The point in Avista's Coeur d'Alene 15th Street Substation where the 13,8 kV facilities of Avista and KEC are connected

Voltage: 13,8 kV

Metering: In Avista's 15th Street Substation, in the 13,8 kV circuit over which electric power and energy flows

3) Dower Point of Delivery

Location: The point where Avista's Dower-Post Falls 115 kV Tap Transmission Line and KEC's Dower-Post Falls 115 kV Tap Transmission Line are connected

Voltage: 115 kV

Metering: In KEC's Dower Substation, in the distribution circuit(s) over which electric power and energy flows

4) Hayden Point of Delivery

Location: The point where Avista's Coeur d'Alene-Ramsey 115 kV Transmission Line and KEC's Hayden 115 kV Tap are connected

Voltage: 115 kV

Metering: In KEC's Hayden Substation, in the distribution circuit(s) over which electric power and energy flows

5) Julia Street Point of Delivery

Location: The point where Avista's Appleway-Ramsey 115 kV Transmission Line and KEC's Julia Street 115 kV Tap are connected

Voltage: 115 kV

Metering: In KEC's Julia Street Substation, in the distribution circuit(s) over which electric power and energy flows

6) O'Gara Point of Delivery

Location: The point in Avista's O'Gara Substation where the 13.8 kV facilities of Avista and KEC are connected

Voltage: 13.8 kV

Metering: On KEC's distribution pole adjacent to Avista's O'Gara Substation in the 13.8 kV circuit over which electric power and energy flows

7) Pleasant View Point of Delivery

Location: The point in Avista's Pleasant View Substation where the 13.8 kV facilities of Avista and KEC are connected

Voltage: 13.8 kV

Metering: In Avista's Pleasant View Substation, in the 13.8 kV circuit over which electric power and energy flows

8) Plummer Point of Delivery

Location: The point in Avista's Plummer Substation where the 13.8 kV facilities of Avista and KEC are connected

Voltage: 13.8 kV

Metering: In Avista's Plummer Substation, in the 13.8 kV circuit over which electric power and energy flows

9) Prairie Point of Delivery

Location: The point in the jointly-owned Prairie Substation, at the supply side of KEC's 115 kV circuit switcher, where the 115 kV facilities of Avista and KEG are connected

Voltage: 115 kV

Metering: In KEG's portion of the jointly-owned Prairie Substation, in the distribution circuit(s) over which electric power and energy flows

10) Rathdrum Point of Delivery

Location: The point in Avista's Rathdrum Substation where the 13,8 kV facilities of Avista and KEG are connected

Voltage: 13.8 kV

Metering: In Avista's Rathdrum Substation, in the 13,8 kV circuit over which electric power and energy flows

11) Scarcella Point of Delivery

Location: The point where Avista's Pine Street-Rathdrum 115 kV Transmission Line is connected to KEG's Scarcello Substation 115 kV Tap

Voltage: 115 kV

Metering: In KEG's Scarcello Substation, in the distribution circuit(s) over which electric power and energy flows

12) Setters Point of Delivery

Location: The point where Avista's Rockford Tap 115 kV Transmission Line is connected to KEG's Setters Substation 115 kV Tap

Voltage: 115 kV

Metering: In KEG's Setters Substation, in the distribution circuit(s) over which electric power and energy flows

**EXHIBIT B**  
**METER READING AND METER TEST PROCEDURES**

81. Meter Readings

Meter readings associated with the delivery of electric power to the Point(s) of Delivery and for Generating Project(s) shall be the responsibility of the Party owning such meters. In the event such meters are owned by Bonneville pursuant to the Power and Transmission Agreements, KEG shall request that Bonneville provide such meter reading information directly to Avista. Alternatively, KEG shall, upon request by Avista, provide to Avista any such meter reading information made available to KEC by Bonneville. Electric power deliveries in any month shall be calculated on information based on meter readings, with any necessary date adjustments made by pro-rating metered amounts to the number of days in such month. In the event a recording metering device is installed, actual monthly energy deliveries shall be determined from the record developed.

82. Meter Testing

Unless provided by Bonneville pursuant to its agreements with KEG, Avista and/or KEG shall own and maintain all meters used to determine any billing associated with the delivery of electric power to the Point(s) of Delivery and Generating Project(s).

Avista meters shall be tested and inspected in accordance with Avista's meter testing program ("Avista Program") as filed with the Washington Utilities and Transportation Commission and/or the Idaho Public Utilities Commission. If requested by KEC, Avista shall provide copies of applicable test and calibration records and calculations. Avista shall permit representatives of KEG, and/or Bonneville to be present at all times the meters are being tested. Additionally, Avista shall test any or all such meters as may reasonably be requested by KEG. Reasonable costs for such requested test shall be paid by KEG unless any of the meters are found to be inaccurate, as defined in the Avista Program, in which case Avista shall pay for the test.

KEG's meters shall be tested and inspected in accordance with the KEG meter testing program ("KEG Program"). If requested by Avista, KEG shall provide copies of applicable test and calibration records and calculations. KEG shall permit a representative of Avista to be present at all times the meters are being tested. Additionally, KEG shall test any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be paid by Avista unless any of the meters are found to be inaccurate, as defined in the KEG Program, in which case KEG shall pay for the test.

For meters owned by Bonneville, Avista and KEG consent to the testing and inspection of such meters in accordance with Bonneville's applicable meter testing program ("Bonneville Program"). If requested by Avista, KEG shall provide copies of applicable test and calibration records and calculations made available to KEG by Bonneville. KEG shall permit a representative of Avista to be present at all times such meters are being tested. Additionally, KEG shall request a test of any or all such meters as may reasonably be requested by Avista. Reasonable costs for such requested test shall be

paid by Avista unless any of the meters are found to be inaccurate, as defined in the Bonneville Program, in which case Avista shall not be required to pay for the test.

B3. Adjustments

Adjustments shall be made in meter readings and billings for errors in a meter reading or billing discovered within twelve (12) months of the error. Each Party shall permit representatives of the other Party to inspect all of the records, including any records made available by Bonneville to KEC or Avista, relating to the delivery of electric power to KEC, and the transmission of electric power by Avista to the Points of Delivery.



**EXHIBIT C**  
**SUBSTATION CONSTRUCTION AND OWNERSHIP GUIDELINES**

FOR SUBSTATIONS OWNED BY AVISTA (Points of Delivery under 69kV):

1. Avista shall be responsible to provide reclosers or other protection apparatus to protect Avista's power transformers.
2. Avista shall provide all equipment and materials (including voltage regulator by-pass switches) to construct a feeder position, except as noted below. This will ensure compatibility with spare parts for installed equipment.
3. Voltage regulators shall be provided by KEG, but shall be installed by Avista.
  - (a) Regulators are classified as a failure mode change-out item and as such are not regularly maintained by Avista. KEG shall maintain its regulators at its discretion.
  - (b) KEG's regulator settings shall be calculated and set by KEG.
  - (c) Regulators provided by KEG shall be complete with connectors for the appropriate conductor, as specified by Avista.
4. Insulation coordinated surge arresters shall be provided by KEG to protect its voltage regulators or underground cables.
5. Metering CTs shall be supplied by Avista.
6. Metering PTs shall be supplied by Avista and may be shared with KEG.
7. KEG shall provide the hardware and conductor to connect to the source at the Point(s) of Delivery, including, but not limited to, the following:
  - (a) Hardware for overhead line pull-offs/getaways (Avista will provide eye bolts on distribution structures).
  - (b) Potheads and brackets for underground take-offs/getaways.
8. Underground conduits and vaults adjacent to a substation shall be provided or approved by Avista.

**FOR SUBSTATIONS OWNED BY KEG (Points of Delivery at 69kV or above):**

For the purpose of enabling Avista to monitor the loads on its transmission system in real time, KEG shall provide either of the following to Avista:

1. Megawatt and megavar indications for total substation load from KEC's supervisory control and data acquisition (SCADA) system, if existing, in a format agreed upon by the Parties,  
  
or
2. The following:
  - (a) Metering CTs,
  - (b) Metering PTs,
  - (c) Space in KEC's substation control house for an Avista remote terminal unit or such other equipment that performs a comparable function ("Avista Equipment"), to be supplied by Avista,
  - (d) Voltage and current indications from KEC's CTs and PTs to the Avista Equipment. and
  - (e) Space for any conduit needed by Avista for its communications out of the substation.

**EXHIBIT D  
GENERATING PROJECTS**

**1) Fighting Creek Landfill Generating Project**

Location: Connected to KEC's Dower Substation distribution facilities near the Fighting Creek Landfill

Generator Rating: Total rated output of 3.2 MVA

Metering: In KEC's Fighting Creek Landfill Generating Project, in the 24.9 kV circuit over which electric power and energy flows

## **EXHIBITE GENERATION INTERCONNECTION GUIDELINES AND STANDARDS**

These Generator Interconnection Guidelines and Standards shall apply, as appropriate pursuant to Industry Standards and Good Utility Practice, to generating projects connected to Avista's electric system and to Generating Projects defined pursuant to Section 1.4 of this Agreement.

### **1. INTERCONNECTION REQUIREMENTS**

- 1.1. All Generating Projects shall be constructed and operated in accordance with Industry Standards and Good Utility Practice.
- 1.2. A Generating Project shall not cause any reduction in the quality of service being provided to other Avista projects or customers. The Generating Project shall not cause abnormal voltage magnitudes, frequencies, excessive interruptions, or excessive harmonics. This shall include not injecting communications signals associated with operation of the Generating Project into Avista's electric system.
- 1.3. When the Generating Project is connected to Avista's electric system the Generating Project shall follow Avista's local system frequency which is a nominal 60 hertz.
- 1.4. Any *voltage* flicker caused from the operation of the Generating Project shall not exceed the limits defined by the latest revision of IEEE 519 or IEEE 1547, whichever is applicable.
- 1.5. For salient pole generators with a capacity of 5,000 kVA or larger or for any size cylindrical rotor synchronous generator, the harmonics shall not exceed the limits as outlined for telephone Influence factor (TIF) in the latest revision of ANSI standards C50.12, C50.13, or C50.14, whichever is applicable. For all generators, voltage distortion limits and current harmonic limits shall be as specified in the latest revision of IEEE 519 or IEEE 1547, whichever is applicable.
- 1.6. When the Generating Project is operating in parallel with the Avista electric system, the Generating Project shall operate at a power factor within the range of 0.95 leading to 0.95 lagging.
- 1.7. Each Party and the Generating Project shall be responsible for protection of its facilities from any system voltage or frequency excursions consistent with Industry Standards and Good Utility Practice.

### **2. EQUIPMENT REQUIREMENTS**

- 2.1. KEC or the Generating Project shall supply, install, own, operate and maintain all equipment at the Generating Project as appropriate and pursuant to applicable electric codes, Industry Standards and Good Utility Practice.
- 2.2. The Generating Project shall maintain its equipment in good working order and keep adequate maintenance records. The Generating Project and maintenance records shall be subject to inspection by Avista. Avista may also witness or review any acceptance tests of Generating Project.

### 3. PROTECTION REQUIREMENTS

- 3.1. KEC or Generating Project shall furnish, install, operate, and maintain in good order and repair, and without cost to Avista such relays, instrument transformers, breakers, automatic synchronizers, and other control and protection apparatus as shown by Avista to be reasonably necessary for the operation of the Generating Project in parallel with Avista's system. The minimum protection requirements for the Generating Project may change based on system configuration or other special circumstances. At a minimum the protection requirements, based on the size of the Generating Project, shall be as follows.
- a. Small generator connected to a distribution feeder (rated output less than 25 kVA): The Generating Project must provide adequate protection to protect its own facility for faults at the facility or on either Party's electric system. KEC or the Generating Project shall provide an appropriate disconnect switch available to Avista.
  - b. Medium generator connected to a distribution feeder (rated output less than one quarter of the distribution feeder load): The Generating Project must meet all requirements of a small generator, plus the Generating Project relaying shall include over/under voltage and over/under frequency (islanding detection) and synchronism check,
  - c. Large generator connected to a distribution feeder (rated output greater than or equal to 3 MVA or one quarter of the distribution feeder load): The Generating Project must meet all requirements of a medium generator, plus phase and ground overcurrent relays to detect and clear for faults on the Avista system.
  - d. Generator connected to a transmission line: The Generating Project must provide a level of protection equivalent to the most current standard of similar terminals on the Avista system. Necessary upgrades to Avista's remote line terminal relaying to interface with the Generating Project will be at the expense of KEC unless provided for in another agreement.
- 3.2. The Generating Project's protection system shall coordinate with Avista's protection system without adverse affect to the Avista system or its customers. The Generating Project shall provide Avista with all proposed relay design and settings for the protection system related to the Generating Project. Avista shall approve the Generating Project's protection system prior to the Generating Project being operated in parallel with the Avista system.
- 3.3. If parallel operation of the Generating Project to Avista's electric system requires upgrades to Avista's protection system, the upgrades shall be at the expense of KEC unless provided for in another agreement, including, but not limited to, upgrades to Avista's reclosing relaying.
- 3.4. The Generating Project's protection system must be operated, tested, and maintained in accordance with Industry Standards and Good Utility Practice and shall be at the expense of KEC unless provided for in another agreement.

- 3.5. Each relay responsible for disconnecting the Generating Project from the local power system shall be connected to an appropriately installed GPS time source, with accuracy better than 8 ms or some type of Sequence of Events recorder shall be made available. Avista may request and KEC or the Generating Project shall provide event reports at the Generating Project.
- 3.6. The Generating Project shall provide adequate means or devices that will prevent the Generating Project from being closed into or energizing a de-energized Avista System or de-energized phase of the Avista system.
- 3.7. The Generating Project may be manually or automatically started and operated in parallel to Avista's electric system any time Avista's electric system is in a normal operating condition. A "normal" operating condition exists when Avista's electric system through which the Generating Project will be operated in parallel is energized and no local conditions exist on Avista's electric system such as abnormal voltages, frequencies, single phasing, etc. that would prevent acceptable synchronization.

#### 4. COMMUNICATIONS

- 4.1. The Generating Project shall maintain satisfactory operating communications with Avista's dispatcher or representative designated by Avista. The Generating Project shall provide standard voice line, dedicated voice line and facsimile communications at its Generating Project control room or central dispatch facility through use of either the public telephone system or a voice communications system that does not rely on the public telephone system.
- 4.2. For generation that will require telemetering, prior to the initial synchronization of the Generating Project, a remote terminal unit, or equivalent data collection and transfer equipment acceptable to the Parties, shall be installed by KEC or the Generating Project, or by Avista at KEC's expense unless provided for in another agreement. to gather accumulated and instantaneous data to be telemetered to the location(s) designated by Avista through use of a dedicated point-to-point data circuit(s) or other equivalent communication medium acceptable to the Parties as indicated in section 4.4 below. The communication protocol for the data circuit(s) shall be specified by Avista. Instantaneous bi-directional analog real power and reactive power flow information must be telemetered directly to the location(s) specified by Avista.
- 4.3. For generation that will require telemetering, KEC or the Generating Project shall provide the dedicated data circuit(s) or other equivalent communication medium acceptable to the Parties necessary to provide the Generating Project's data to Avista. The data circuit(s) shall extend from the Generating Project to the location(s) specified by Avista. Any required maintenance of such communications equipment shall be the responsibility of KEC unless provided for in another agreement. Operational communications shall be activated and maintained under, but not be limited to, the following events: system paralleling or separation, scheduled and unscheduled shutdowns, equipment clearances, and hourly and daily load data.
- 4.4. Unless provided for in another agreement, KEC shall have Avista listed on record with any third-party communication provider so that Avista has the ability to call in trouble tickets. Each Party shall promptly advise the other Party if it detects or otherwise learns of any metering, telemetry or communications equipment errors or malfunctions

that require the attention and/or correction by the other Party. The Party owning such equipment shall correct such error or malfunction as soon as reasonably feasible unless provided for in another agreement.

## 5. MISCELLANEOUS REQUIREMENTS

5.1. Avista reserves the right to open the main disconnecting device and/or cease parallel generation with reasonable notice provided to KEC or the Generating Project (when notice is practicable) for any of the following reasons:

- a. System emergency.
- b. Generating Project's generating equipment interferes with other projects or the operation of the Avista system.
- c. Any quality of service reduction.

5.2. Unless provided for in another agreement, KEC shall supply Avista with the following data and machine parameters for each Generating Project as needed:

- a. Rated kVA output.
- b. Rated voltage.
- c. Rated power factor.
- d. Type of generator (induction motor, DC motor, synchronous generator, etc.).
- e. Proposed protective equipment (breakers, fuses, instrument transformers, relay types and settings, etc.).
- f. Generator's contribution to faults (saturation, subtransient, transient and synchronous resistances and reactances and the associated time constraints, sequence impedance (positive, negative, zero), system resistance and reactance from Avista system to the Generating Project).
- g. Inertia constants.
- h. Estimated schedule of operation and estimated annual kWh.
- i. Governor and exciter control system parameters.

5.3. Unless provided for in another agreement, KEC shall supply Avista with the following generator transformer nameplate data for the Generating Project:

- a. Rated kVA, including base and any forced oil or forced air ratings.
- b. Voltage rating, available tap settings, and proposed tap setting.
- c. Test impedance, including X/R ratio or measured load loss Watts.

5.4. KEC shall require the installation and operation of a power system stabilizer at the Generating Project if required pursuant to Industry Standards.

Exhibit G

Facilities for Integration and Operation of Fighting Creek Facility



Transmission Services  
Avista Corporation  
1411 E Mission Avenue  
Spokane, WA 99202



December 5, 2011

Mr. Doug Elliott  
General Manager  
Kootenai Electric Cooperative  
P.O. Box 278  
Hayden, Idaho 83835-0278

SUBJECT: Facilities for Integration and Operation of Fighting Creek Facility

Dear Mr. Elliott:

This Letter Agreement ("Agreement") sets forth the scope of work and responsibilities of Avista Corporation ("Avista") and Kootenai Electric Cooperative, Inc. ("KEC"), hereinafter sometimes referred to collectively as "Parties" and individually as "Party," regarding the construction and installation of the Parties' respective facilities for the integration and operation of KEC's new 3.2 MW Fighting Creek Landfill Gas to Energy Facility ("Facility") at the Kootenai County Solid Waste Facility near Bellgrove, Idaho.

I. PROJECT COORDINATION AND SCHEDULE

KEC and Avista shall coordinate all requirements for this project and consult with one another regarding the duties listed under this Agreement. The Parties intend to complete construction and enable operation of the Facility by December 30, 2011. While neither Party makes any express commitment to meet such date to energize the facilities outlined within, the Parties shall make good faith efforts to complete this project within the time frame identified.

II. EFFECTIVE DATE

This Agreement shall be effective upon the date this Agreement is executed by both Parties. This Agreement shall terminate upon receipt by Avista of all invoiced amounts pursuant to Section V.

### III. AVISTA'S RESPONSIBILITIES AT KEC'S EXPENSE

Avista shall provide, at KEC's expense, a relay to provide synch check functionality and add equipment to provide dial-up access to the new relay on Avista's Post Falls A-320 circuit breaker.

Avista shall provide, at KEC's expense, material and labor to program, check-out, and test the metering and data acquisition equipment provided by KEC at the Facility.

Avista shall, at KEC's expense, provide materials and labor to program the Cybectec SMP-4, test and check-out all metering and SCADA equipment provided by IeEC, and terminate the 4-wire communication circuit provided by KEC at Avista's Coeur d'Alene Service Center.

Avista shall, at KEC's expense, provide labor to revise relay settings on Avista's Post Falls A-21 I circuit breaker on the Post Falls - Ramsey 115 kV line to provide an alternate point of receipt.

### IV. KEC'S RESPONSIBILITIES AT KEC'S EXPENSE

KEC shall, at KEC's expense, acquire rights of way and permit for, construct and own the new Facility. This construction shall include metering CTs, metering PTs, space in Seller's Facility control house for Avista metering equipment, voltage and current indications from KEC's CTs and PTs to the Avista metering equipment, 4-wire communication circuit, 2-wire communication circuit, appropriate isolation protection for communication circuits, and a 48 VDC circuit for power supply.

KEC shall, at KEC's expense, provide and install a Jemstar revenue grade meter, test switch, Cybectec SMP-4, and other data acquisition equipment as approved by Avista which shall be owned, operated, and maintained by Avista.

KEC shall, at KEC's expense, provide labor for the commissioning of this equipment and the termination of the 4-wire circuit.

### V. FINANCIAL TERMS AND CONDITIONS

The estimated cost of the work to be performed by Avista at KEC's expense, as identified in Section III, is \$65,000, including applicable overheads and taxes. Upon completion of all work performed by Avista, Avista shall invoice KEC for the actual costs Avista incurred to complete such work, including applicable overheads and taxes.

Invoices from Avista shall reference this Agreement and shall be sent to the following address:

Kootenai Electric Cooperative  
Attention: Shawn Dolan  
Kootenai Electric Cooperative  
P.O. Box 278  
Hayden, Idaho 83835-0278

Remittances from KEC shall be within the timeframe specified in the invoice and shall be sent to the address named in the invoice.


Please indicate KEC's concurrence by executing the two originals of this Agreement where indicated below. Please retain one original for your files and return one Original to Avista at the address listed above. Should you have any questions regarding this Agreement, please do not hesitate to contact me at (509) 495-4851.

Respectfully,



Jeff Schlect  
Senior Manager, Transmission Services

KOOTENAI ELECTRIC COOPERATIVE, INC.

Concur: 

Name: Doug Elliot

Title: General Manager

Date: December 8, 2011



November 19, 2012

Kootenai Electric Cooperative  
Attn: Doug Elliot  
2451 W. Dakota Ave  
P.O. Box 276  
Hayden, ID 83835-0278

**Re: Amendment to the Power Purchase Agreement Between Kootenai Electric Cooperative and Avista Corporation**

Dear Mr. Elliot:

Kootenai Electric Cooperative, Inc. ("Seller") and Avista Corporation ("Avista"), referred to herein individually as a "Party" and collectively as the "Parties," entered into that certain Power Purchase Agreement dated January 5, 2012, ("Power Purchase Agreement") under which Avista purchases energy from a 3.2 MW nameplate capacity electric power generating facility ("Facility") at the Kootenai County Solid Waste Facility near Bellgrove, Idaho. The Power Purchase Agreement was originally approved by the Idaho Public Utilities Commission ("Commission") in Order No. 32459 issued in Docket No. AVU-E-12-01 on February 15, 2012. The Power Purchase Agreement is due to expire by its terms on December 31, 2012. Avista understands that Seller would like to amend the Power Purchase Agreement to extend the term.

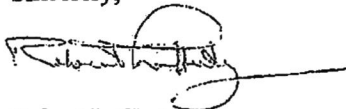
The Parties hereby agree to amend the Power Purchase Agreement to extend the term through December 31, 2013. Accordingly, Section 4.1 of the Power Purchase Agreement is amended to change the expiration date of the Term from December 31, 2012 to December 31, 2013. Except as expressly provided herein, all other terms and conditions of the Power Purchase Agreement remain in full force and effect, including Seller's right in Section 4.1 to terminate the Agreement with 30 days prior written notice to Avista.

The Parties agree that this Amendment will be construed in accordance with Section 210 of PURPA and other applicable laws and regulations. This Amendment shall become finally effective upon the Commission's approval of all terms and provisions herein without change or condition and declaration that all payments to be made to Seller under the Power Purchase Agreement, as amended, shall be allowed as prudently incurred expenses for ratemaking purposes. This Amendment to the Power Purchase Agreement shall, subject to such Commission approval, become effective on January 1, 2013, or such other date set by Commission order. Upon the effective date of this

Amendment, this Amendment shall be incorporated in the Power Purchase Agreement and all references to the Power Purchase Agreement shall be deemed to be references to the Power Purchase Agreement as amended by this Amendment.

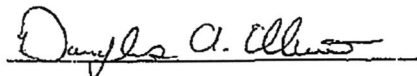
If the terms set forth herein for the extension of the term of the Power Purchase Agreement are acceptable, please execute below and return an original executed copy of this letter to me. Please call Steve Silkworth at 509 495-8093 if you have any questions.

Sincerely,



Robert Lafferty  
Director, Power Supply

ACCEPTED AND AGREED TO:



Name: Douglas A. Elliott

Date: November 19, 2012

Kootenai Electric Cooperative